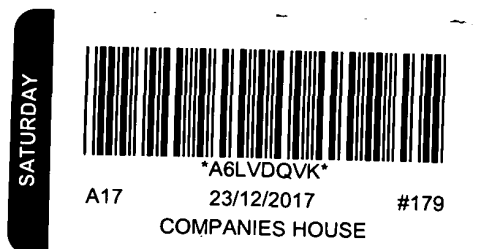


Rural Insurance Group Limited
Annual Report and Financial Statements
for the year ended 31 March 2017



Company Registration No. 2207611

Contents	Page
Officers and Advisers	2
Strategic Report for the year ended 31 March 2017	3
Directors' Report for the year ended 31 March 2017	5
Independent auditors' report	7
Statement of Comprehensive Income for the year ended 31 March 2017	10
Statement of Financial Position as at 31 March 2017	11
Statement of Changes in Equity for the year ending 31 March 2017	12
Notes to the Financial Statements for the year ended 31 March 2017	13

Officers and Advisers

Directors	Mr M P Smith Mr L D Harvey Mr R M Skingle (appointed 05/01/2017) Mr A C A Gribben (appointed 23/05/2017) Mr D Cahoon (appointed 27/09/2017)
Secretary	Mr J C Orton
Principal bankers	HSBC Bank PLC 33 Park Row Leeds LS1 1LD
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Central Square 29 Wellington Street Leeds LS1 4DL
Tax advisors	Rawlinson & Hunter 6 New Street Square New Fetter Lane London EC4A 3AQ
Registered office	The Hamlet Hornbeam Park Harrogate North Yorkshire HG2 8RE
Company Registration number	2207611
Parent Company	The immediate parent company is PBS Holdings Limited and the ultimate parent company is Primary Group Holdings 1 Limited.

Strategic Report for the year ended 31 March 2017

Principal activity

The company's principal activities are that of an insurance underwriting agent.

Review of the business

The results for the company as set on page 10 show a loss on ordinary activities before taxation of £63,119 (2016: profit £1,068,804) and operating loss of £71,481 (2016: profit £1,026,549). Total equity of the company shows a surplus of £1,776,912 (2016: £1,773,288).

Future outlook

The company remains confident that the business will continue to produce profitable returns from new and existing business streams.

Principal risks and uncertainties

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by directors delegated with the appropriate responsibilities. Compliance with regulation, legal and ethical standards is a high priority for the company.

The Senior management team holds regular review meetings to review and report back to the Board on all risk related issues.

Principal risks arising from the competitive market place are:

- severe economic downturn;
- changes to the regulatory environment;
- entrance of significant competitors in our core markets;
- continued downward pressure on underwriting margins and a low interest rate environment; and
- current risk carriers terminate or significantly reduce capacity.

Financial Risk Management

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the company is exposed to credit risk are amounts due from insurers and insurance intermediaries.

The company manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty. Such risks are subject to regular review. Management assesses the creditworthiness of all insurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. Each account is closely monitored by the credit control function.

Strategic Report for the year ended 31 March 2017 (continued)**Financial Risk Management (continued)****Liquidity risk**

Liquidity risk is the risk that cash may not be available to pay obligations when due. The primary liquidity risk of the company is the obligation to pay insurers. All insurance related monies are held in non-statutory trust accounts for the sole benefit of the relevant insurers. Regular forecasts are performed to ensure that the company maintains an appropriate level of liquidity.

Interest rate risk

Interest rate risk arises primarily from borrowing from group companies. The company monitors interest rates on a monthly basis and reviews the materiality of the impact of any changes.

The company has also sourced external financing for a period of 2 years at a rate of 3.75% per annum over LIBOR. There is a risk that the LIBOR rate will increase and affect the cost of borrowing to the company. This is monitored to review the materiality of the impact of any changes.

Key performance indicators

Financial key performance indicators include gross written premium, gross margin, expense ratio and net margin. These are monitored on a regular basis by the company and form part of the monthly reporting cycle.

	Year ended 31 March 2017	Year ended 31 March 2016
Gross Premiums	£40,003,465	£41,249,714
Profit	£3,624	£931,126
Expense Ratio	16.67%	14.94%
Gross Margin	16.77%	17.43%
Net Margin	0.01%	2.26%

Year on year Gross premiums written remained in line with prior year for 2017 to £40,003,465 (2016 £41,249,714). The net turnover this has generated for the business, in terms of commission and fees, is £7,283,007 (2016 £7,190,059), an increase of 1.29%. Overall net margin has decreased from 2.26% to 0.01%. Administrative expenses increased to £7,354,488 (2016 £6,163,509) as the business continued its investment in the new IT infrastructure, hence the profit has reduced.

Approved by the Board and signed on its behalf by:



 Mr R M Skingle
 Director

Date: 21/2/17

Directors' Report for the year ended 31 March 2017

The directors present their report and the audited financial statements for the year ended 31 March 2017.

Dividends

The directors do not recommend the payment of a dividend for the year ended 31 March 2017 (year ended 31 March 2016: £nil).

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows:

Mr I J Barclay	(resigned 11/7/2017)
Mr M P Smith	
Mr L D Harvey	
Mr C A Nathan	(appointed 13/04/2016, resigned 23/05/2017)
Mrs M L Leighton	(resigned 05/01/2017)
Mr R Skingle	(appointed 05/01/2017)
Mr A C A Gribben	(appointed 23/05/2017)
Mr D Cahoon	(appointed 27/09/2017)

Qualifying third-party indemnity provisions

The directors are protected by an indemnity insurance provision as defined by Section 234 of the Companies Act 2006. The indemnity cover has been in place for the last and current financial year.

Employees

The company's employees represent a wide variety of skills and abilities. The directors endeavour to provide training, safe and pleasant working conditions, good communication and teamwork, and a sense of pride and purpose that enables each individual to flourish. Recruitment and promotion is undertaken without prejudice to age, sex or race and, in particular, the company recognises the contribution which can be made by disabled employees and gives them consideration for employment equal to that of the able-bodied, taking account of job requirements and the practical accommodations which can be made.

Statement of disclosure of information to auditors

Each director at the date of approval of this report confirmed that there is no relevant audit information of which the company's auditors are unaware. The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' Report for the year ended 31 March 2017 (continued)**Independent auditors**

The company has elected to dispense with the requirement to hold an Annual General Meeting and reappoint auditors annually. Accordingly, PricewaterhouseCoopers LLP, having indicated their willingness to do so, will continue as the company's auditors.

Statement of directors' responsibilities for the year ended 31 March 2017

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

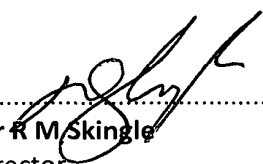
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" has been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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.

Approved by the Board and signed on its behalf by:


.....
Mr R M Skingle
Director

Date: 21/12/17

Independent auditors' report to the members of Rural Insurance Group Limited**Report on the financial statements****Our opinion**

In our opinion, Rural Insurance Group Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2017 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.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 March 2017;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception**Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or

Independent auditors' report to the members of Rural Insurance Group Limited (continued)**Adequacy of accounting records and information and explanations received (continued)**

- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit**Our responsibilities and those of the directors**

As explained more fully in the statement of directors' responsibilities on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

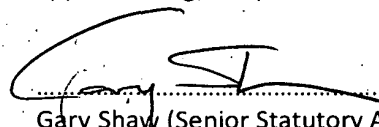
We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements

Independent auditors' report to the members of Rural Insurance Group Limited (continued)**What an audit of financial statements involves (continued)**

or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Gary Shaw (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

Date: 21/12/17

Statement of Comprehensive Income for the year ended 31 March 2017

	Note	Year ended 31 March 2017 £	Year ended 31 March 2016 £
Turnover	4	7,283,007	7,190,059
Administrative expenses		(7,354,488)	(6,163,509)
Operating (loss)/profit	5	(71,481)	1,026,550
Interest receivable and similar income	7	43,202	49,351
Interest payable and similar charges	8	(34,840)	(7,097)
(Loss)/Profit on ordinary activities before taxation		(63,119)	1,068,804
Tax on (loss)/profit on ordinary activities	9	66,743	(137,678)
Profit for the financial year		3,624	931,126

The notes to the financial statements on pages 13 to 22 form an integral part of these financial statements.

The company has no comprehensive income other than those included in the results above, and therefore no separate statement of total comprehensive income has been presented.

Statement of Financial Position as at 31 March 2017

	Note	Year ended 31 March 2017 £	Year ended 31 March 2016 £
Fixed assets			
Intangible assets	10	1,520,006	843,979
Tangible assets	11	443,576	555,500
		<u>1,963,582</u>	<u>1,399,479</u>
Current assets			
Debtors	12	2,496,818	4,670,319
Cash at bank and in hand	13	222,639	518,574
		<u>2,719,457</u>	<u>5,188,893</u>
Creditors: amounts falling due within one year	14	(2,861,077)	(4,246,478)
Net current (liabilities)/assets		<u>(141,620)</u>	<u>942,415</u>
Total assets less current liabilities		<u>1,821,962</u>	<u>2,341,894</u>
Creditors: amounts falling due after more than one year	15	(45,050)	(568,606)
Net assets		<u>1,776,912</u>	<u>1,773,288</u>
Capital and reserves			
Called up share capital		1,000	1,000
Accumulated Profit		1,775,912	1,772,288
Total shareholders' funds		<u>1,776,912</u>	<u>1,773,288</u>

The notes to the financial statements on pages 13 to 22 form an integral part of these financial statements and where approved by the Board of Directors 21/12/17 and signed on its behalf by:

.....
Mr B M Skingle
Director

Rural Insurance Group Limited
Company registration number: 2207611

Statement of Changes in Equity for the year ending 31 March 2017

	Called up share capital £	Retained Earnings £	Total Equity £
Balance as at 1 April 2015	<u>1,000</u>	<u>841,162</u>	<u>842,162</u>
Profit for the Financial Year	-	931,126	931,126
Other comprehensive Income for the year	-	-	-
Total comprehensive income for the year	<u>1,000</u>	<u>931,126</u>	<u>931,126</u>
Balance as at 31 March 2016	<u>1,000</u>	<u>1,772,288</u>	<u>1,773,288</u>
Balance as at 1 April 2016	<u>1,000</u>	<u>1,772,288</u>	<u>1,773,288</u>
Profit for the Financial Year	-	3,624	3,624
Other comprehensive Income for the year	-	-	-
Total comprehensive income for the year	<u>-</u>	<u>3,624</u>	<u>3,624</u>
Balance as at 31 March 2017	<u>1,000</u>	<u>1,775,912</u>	<u>1,776,912</u>

Approved by the Board of Directors 21/12/17 and signed on its behalf by:



Mr R Skingle
 Director

Rural Insurance Group Limited
 Company registration number: 2207611

Notes to the Financial Statements for the year ended 31 March 2017**1. General Information**

Rural Insurance Group Limited ("the Company") operated as an insurance underwriting agent. The Company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is The Hamlet, Hornbeam Park, Harrogate.

2. Statement of Compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting policies

These financial statements have been prepared on the going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value and applied consistently.

Insurance Balances

Insurance balances, being amounts receivable from policyholders in respect of net written premiums ("NWP") and payable to the insurer and insurance monies held in designated insurance money accounts are only recognised to the extent that the company retains the risks and rewards of ownership. Following consideration by management, amounts receivable from the policy holder in respect of net written premiums ('NWP') and payable to the insurer are not included as an asset or liability as they do not meet the criteria for recognition of a financial asset or liability. In addition insurance monies held in designated insurance money accounts are not recognised on the balance sheet as the Group is not legally entitled to these funds.

Turnover

The company generates revenue principally from commissions and fees associated with operating as an insurance underwriting agent. Revenues from brokerage, commissions and fees from insurance intermediary businesses are recognised when notification of the policy sale has been received.

Profit or volume based commission, which is received periodically, is recognised when the amount can be measured with reasonable certainty.

Where there is an expectation of future servicing requirements for the policies in force an element of income is deferred to cover the estimated fair value of the associated contractual obligation.

Foreign currencies

Monetary assets and liabilities in foreign currencies are expressed in sterling at exchange rates ruling at the balance sheet date. Income and expenses in foreign currencies are translated into sterling at either rates of exchange ruling at the date on which the transactions occur or at the average rate of exchange during the period where this is a suitable approximation. Any exchange differences arising on transactions in foreign currencies during the period are dealt with through the profit and loss account.

Notes to the Financial Statements for the year ended 31 March 2017 (continued)**3. Accounting policies (continued)****Depreciation**

Tangible fixed assets are written off on a straight line basis over their estimated useful lives being; Computer Equipment & Fixtures; 4 years, Leasehold Improvements; period of the lease.

Operating Leases

Rentals payable under operating leases, which are those in which a significant proportion of the risks and rewards of ownership are retained by the lessor, are charged on a straight-line basis over the term of the lease.

Assets held under finance leases, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over the shorter of their useful lives and the lease term. The capital elements of the related lease obligations are included in the liabilities. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease.

Taxation

Taxation for the period comprises current and deferred tax recognised in the reporting period. Current or deferred taxation assets and liabilities are not discounted.

- (i) **Current Tax**
Current tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.
- (ii) **Deferred Tax**
Deferred tax is recognized on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Cash flow statement and related party

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. The company has taken advantage of the exemptions in its individual financial statements from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in the consolidated financial statements of Rural & Commercial Holdings Limited, includes the company's cash flows. The company is also exempt under the terms of FRS 102 from disclosing related party transactions with entities that are part of the Primary Group Limited group or investors of Primary Group Limited.

Pensions

The company operates non-contributory defined contribution grouped personal pension plans covering the majority of permanent employees where subsidiaries have elected to participate. The assets of the plans are held separately from those of the group in independently administered funds for individual members of staff. The plans are funded by contributions that are charged to the profit and loss account as incurred in accordance with the employment contract of each director or employee.

Notes to the Financial Statements for the year ended 31 March 2017 (continued)**4. Turnover**

All turnover and profit before taxation is derived from the company's principal activities of an underwriting agency carried on in the UK.

5. Operating profit

The operating profit is stated after charging:

	Year ended 31 March 2017 £	Year ended 31 March 2016 £
Fees payable to group undertaking	99,395	931,754
Auditor's remuneration	22,763	27,100
Amortisation & Depreciation of owned assets	281,333	105,067
Operating lease payment - land & buildings	<u>101,475</u>	<u>48,570</u>

6. Information regarding directors and employees

Emoluments for five (2016: five) directors were paid by the company for the year as follows:

	Year ended 31 March 2017 £	Year ended 31 March 2016 £
Emoluments	465,752	431,802
Contributions to money purchase schemes	<u>23,076</u>	<u>31,006</u>
Total emoluments	<u>488,828</u>	<u>462,808</u>

The emoluments of the highest paid director included in the amounts shown are:

	Year ended 31 March 2017 £	Year ended 31 March 2016 £
Emoluments	299,318	269,385
Contributions to money purchase schemes	<u>14,121</u>	<u>20,614</u>
Total emoluments	<u>313,439</u>	<u>289,999</u>

Employee costs for the Company were as follows:

	Year ended 31 March 2017 £	Year ended 31 March 2016 £
Wages and salaries	3,308,849	2,882,687
Social security costs	303,241	263,966
Other pension costs	<u>197,113</u>	<u>163,824</u>
	<u>3,809,203</u>	<u>3,310,477</u>

Notes to the Financial Statements for the year ended 31 March 2017 (continued)**6. Information regarding directors and employees (continued)**

The average monthly number of persons employed by the company (including directors) during the year was as follows:

	Year ended 31 March 2017 No.	Year ended 31 March 2016 No.
	<u>102</u>	<u>81</u>

7. Interest receivable and similar income

	Year ended 31 March 2017 £	Year ended 31 March 2016 £
Loan interest receivable	40,414	42,853
Bank interest receivable	<u>2,788</u>	<u>6,498</u>
	<u>43,202</u>	<u>49,351</u>

8. Interest payable and similar charges

	Year ended 31 March 2017 £	Year ended 31 March 2016 £
Interest payable on bank loan	34,459	3,605
Interest payable on finance leases	<u>381</u>	<u>3,492</u>
	<u>34,840</u>	<u>7,097</u>

9. Tax on profit**(a) Analysis of current year tax charge/(credit)**

	Year ended 31 March 2017 £	Year ended 31 March 2016 £
Current tax:		
Based on the loss for the year at 20% (2016: 20%)		
Group relief and similar payments	-	8,444
Current tax charge for the year	<u>-</u>	<u>8,444</u>
Deferred tax:		
Deferred tax charge/(credit) for the year (Note 9d)	(94,984)	119,544
Adjustments in respect of previous years (Note 9d)	7,328	(4,456)
Adjustments due to change in tax rate (Note 9d)	<u>20,913</u>	<u>14,146</u>
Total tax charge/(credit) for the year (Note 9b)	<u>(66,743)</u>	<u>137,678</u>

Notes to the Financial Statements for the year ended 31 March 2017 (continued)**9. Tax on loss on ordinary activities (continued)**

(b) Factors affecting current tax charge/(credit) for the year:

The tax assessed for the period differs from the standard rate of corporation tax in the UK at 20% (2016 – 20%). The differences are reconciled below:

	Year ended 31 March 2017 £	Year ended 31 March 2016 £
(Loss)/Profit on ordinary activities before taxation	<u>(63,119)</u>	<u>1,068,804</u>
(Loss)/Profit on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 20% (2016: 20%)	(12,624)	213,761
<u>Effects of:</u>		
Permanent Differences	(34,035)	(85,773)
Unrecognised deferred tax and deferred tax of group transfer of assets	(48,325)	-
Adjustment to tax in respect of prior periods – deferred tax	7,328	(4,456)
Remeasurement of deferred tax – change in UK tax rate	20,913	14,146
Total tax credit for the year (Note 9a)	<u>(66,743)</u>	<u>137,678</u>

(c) Tax rate change

The main rate of corporation tax will reduce to 19% from 01 April 2017. This change was substantively enacted as part of Finance Act (No. 2) 2015.

A further reduction to the UK Corporation tax rate was substantively enacted as part of the Finance Act 2016. This reduces the main rate to 17% from 1 April 2020.

The deferred tax assets and liabilities reflect the above substantively enacted rates as at the balance sheet date.

Notes to the Financial Statements for the year ended 31 March 2017 (continued)**9. Tax on profit on ordinary activities (continued)****(d) Deferred tax asset**

	Year ended 31 March 2017 £	Year ended 31 March 2016 £
Accelerated capital allowances	30,454	20,695
Carried forward tax losses	163,599	106,615
Undiscounted deferred tax asset	194,053	127,310
Deferred tax asset at the start of the year	127,310	256,544
Deferred tax credit in profit and loss account for the year (Note 9a)	94,984	(119,544)
Prior year adjustment	(7,328)	4,456
Rate change impact	(20,913)	(14,146)
Deferred tax asset at the end of the year (Note 12)	194,053	127,310

Deferred tax is calculated on temporary differences under the liability method using the rate of 17% (2016: 18%).

Deferred tax assets have been recognized to the extent that they are deemed more likely than not to be recovered, based on forecasts of future taxable profits, resulting in an asset of £194,053 recognised at 17% in relation to depreciation in excess of capital allowances and carried forward tax losses.

Notes to the Financial Statements for the year ended 31 March 2017 (continued)**10. Intangible assets**

	Software £	Total £
Cost		
As at 1 April 2016	900,389	900,389
Additions	769,281	769,281
Transfers in from associated undertaking	2,521	2,521
Disposals / write offs	(24,603)	(24,603)
As at 31 March 2017	1,647,588	1,647,588
Accumulated amortisation		
As at 1 April 2016	56,410	56,410
Charge for the year	94,199	94,199
Transfers in from associated undertaking	1,576	1,576
Depreciation on disposal / write offs	(24,603)	(24,603)
As at 31 March 2017	127,582	127,582
Net book value		
As at 31 March 2016	843,979	843,979
As at 31 March 2017	1,520,006	1,520,006

11. Tangible fixed assets

	Computer Equipment & Fixtures £	Total £
Cost		
As at 1 April 2016	666,984	666,984
Additions	30,718	30,718
Transfers in from associated undertaking	120,426	120,426
Disposals / write offs	(72,439)	(72,439)
As at 31 March 2017	745,689	745,689
Accumulated depreciation		
As at 1 April 2016	111,484	111,484
Charge for the year	187,134	187,134
Transfers in from associated undertaking	74,076	74,076
Depreciation on disposal / write offs	(70,581)	(70,581)
As at 31 March 2017	302,113	302,113
Net book value		
As at 31 March 2016	555,500	555,500
As at 31 March 2017	443,576	443,576

Included in the above are assets held under finance lease, with a net book value of £55,480 (2016: £84,427). Depreciation charged in the period relating to these assets was £28,947 (2016: £33,771).

Notes to the Financial Statements for the year ended 31 March 2017 (continued)**12. Debtors**

	31 March 2017	31 March 2016
	£	£
Insurance debtors	489,436	495,386
Amounts owed by group undertakings	1,486,479	2,218,270
Deferred tax asset (Note 9 (d))	194,053	127,310
Prepayments and accrued income	326,850	1,829,353
	<u>2,496,818</u>	<u>4,670,319</u>

The insurance debtors amount noted above is after the FRS 102 de-recognition of financial assets and liabilities, and represents that amount of commission income outstanding.

13. Cash at bank and in hand

The cash at bank and in hand balance of £222,639 (2016: £518,574), represents an amount of commission income collected and office account cash.

£1,723,745 (2016: £1,676,405) is held in designated underwriter accounts under risk transfer agreements with the relevant insurers and the cash legally cannot be used for any other purpose than settlement of claims to policy holders, pay premiums to underwriters and commissions and other income to group undertakings. These balances have not been recognised on the Statement of Financial Position in full due to their nature as they do not meet the criteria for recognition of a financial asset under FRS 102.

14. Creditors: amounts falling due within one year

	31 March 2017	31 March 2016
	£	£
Bank loans	500,000	500,000
Trade creditors	216,191	177,459
Finance Lease	23,555	21,963
Other creditors	736,321	2,835,094
Accruals and deferred income	1,385,010	711,962
	<u>2,861,077</u>	<u>4,246,479</u>

Notes to the Financial Statements for the year ended 31 March 2017 (continued)**15. Creditors: amounts falling due after more than one year**

	31 March 2017	31 March 2016
	£	£
Bank loans and overdrafts	-	500,000
Finance lease	45,050	68,606
	<u>45,050</u>	<u>568,606</u>

16. Finance lease

Future minimum payments under finance leases are as follows:

	31 March 2017	31 March 2016
	£	£
Within one year	27,334	27,334
In more than one year, but not more than five years	<u>47,835</u>	<u>75,170</u>
Total gross payments	75,169	102,504
Less finance charges included above	<u>(6,564)</u>	<u>(11,935)</u>
	<u>68,605</u>	<u>90,569</u>

17. Bank loans

	31 March 2017	31 March 2016
	£	£
Due within one year or on demand	500,000	500,000
Due between one and two years	<u>-</u>	<u>500,000</u>
	<u>500,000</u>	<u>1,000,000</u>

A bank loan of £1,000,000 was secured with Clydesdale Bank plc on 2 March 2016. The loan is repayable over two years. Interest is paid on a quarterly basis and accrues at a rate of LIBOR + 3.75%.

18. Pension commitments

The group operates non-contributory defined contribution grouped personal pension plans. The assets of the plans are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the company to the plans and the amount contributed during the year to the 31 March 2017 was £197,113 (2016: £163,824).

Notes to the Financial Statements for the year ended 31 March 2017 (continued)**19. Commitments under operating leases**

As at 31 March the company had annual land and buildings operating lease commitments as follows:

	Year ended 31 March 2017 £	Year ended 31 March 2016 £
Operating leases which expires;		
In less than 1 year	101,475	50,738
Between 2 - 5 years	405,900	405,900
Later than 5 years	346,706	482,006
	<u>854,081</u>	<u>938,644</u>

20. Related party disclosures

As permitted under FRS 102, paragraph 33.1A, transactions between group companies which are wholly owned have not been disclosed.

21. Ultimate parent undertaking

The immediate parent undertaking is PBS Holdings Limited.

The ultimate parent company is Primary Group Holdings 1 Limited, which is a company incorporated in Bermuda. At 31 March 2017 the ultimate parent undertaking and controlling party during the year was R&H Trust Co. Ltd. as trustee for two trusts established in the Cayman Islands for the benefit of Mr P James and his family. Due to a group restructure, at the date of signing the ultimate controlling party is Mr P James..

Primary Group Limited, incorporated in Bermuda, is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2017. The registered address of Primary Group Limited is Canon's Court, 22 Victoria Street, Hamilton, HM EX, Bermuda.

Rural & Commercial Holdings Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements.