BRIT GROUP SERVICES LIMITED

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2018

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Registered Number: 02245562

Contents

Page	
2	Company Information
3	Strategic Report
4	Report of the Directors
6	Independent Auditor's Report
9	Income Statement
10	Statement of Comprehensive Income
11	Statement of Financial Position
12	Statement of Changes in Equity
13	Notes to the Financial Statements

BRIT GROUP SERVICES LIMITED

Company Information

Directors

M Allan
M Cloutier (Resigned 31 December 2018)
L Denny
A Usher

Secretary

Brit Corporate Secretaries Limited

Registered Office

The Leadenhall Building
122 Leadenhall Street
London
EC3V 4AB

Independent Auditor

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditor
7 More London Riverside
London
SE1 2RT

BRIT GROUP SERVICES LIMITED

Strategic Report

The Directors present their Strategic Report on the Company for the year ended 31 December 2018.

Business review

During the year the Company continued to provide management services to the other companies in the Brit Limited Group.

In the opinion of the Directors, the state of affairs of the Company at the end of the year was satisfactory.

The Directors do not envisage any changes to the current business model in 2019.

Principal risks and uncertainties

The Company is responsible for substantial amounts of expenditure. It is therefore exposed to credit risk should its customers in the Group fail to meet their obligations to pay fees. The Company manages this risk by receiving payment of management fee charges from Group companies in advance where possible.

Result

The profit for the financial year is £1.8m (2017: £4.1m).

By Order of the Board

Simon Dartford
On behalf of Brit Corporate Secretaries Limited
Secretary
15 April 2019

BRIT GROUP SERVICES LIMITED

Report of the Directors

Registered Number: 02245562

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

Principal activities

The Company provides management services to other companies in the Brit Limited Group.

Going concern

The Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Result and dividend

The profit for the financial year is £1.8m (2017: £4.1m).

No interim dividend was paid during the year (2017: nil).

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: nil).

The Directors do not envisage any changes to the current business model in 2019.

Directors

The names of the Directors of the Company who held office during the financial year and up to the date of signing the financial statements are listed on page 2 of this report.

Employee matters

Brit is an equal opportunities employer. This means we will not unlawfully discriminate against any person on grounds of colour, religion or belief, race or ethnic origin, nationality or national origin, sex or sexual orientation, marital status, disability, age, pregnancy or maternity, or gender reassignment. We have established policies to ensure that there is no discrimination against applicants for a job or whilst in employment.

The Company is committed to ensuring equal opportunities in relation to job advertisements, recruitment and selection, assessment of work performance or conduct, disciplinary and grievance procedures, conditions of service, promotion and training, pay and benefits and termination of employment.

In the event of employees becoming disabled, every effort is made to ensure their employment with the Company continues and appropriate training arranged. So far as possible, the Company ensures that the training, career development and promotion of any disabled person is identical to that of a colleague who does not suffer from such a disability.

The Company maintains procedures by which all employees are systematically encouraged to express matters that may affect them and are provided with information on matters of concern.

The Employee Share Scheme, as well as other means provide an opportunity for staff involvement in the Company's performance.

Environmental responsibility

The Brit Group is committed to managing and reducing its environmental impact in a cost effective and responsible way. Further detail on this is available in Brit Limited's annual report and financial statements for the year ended 31 December 2018.

Report of the Directors (continued)

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, 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 prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 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;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure of information to the auditor

In accordance with the provisions of section 418 of the Companies Act 2006, each of the persons who are Directors of the Company at the date of approval of this report confirms that:

- So far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

- Each Director has taken all the steps that ought to have been taken in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

PricewaterhouseCoopers LLP will remain in office as the Company's auditor.

The review of the business and principal risks and uncertainties information is not shown in the Directors' report because it is shown in the strategic report instead under s414C(11).

By Order of the Board.

Simon Dartford
On behalf of Brit Corporate Secretaries Limited
Secretary
15 April 2019

Independent Auditors' Report to the Member of Brit Group Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Brit Group Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Directors Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information.

Independent Auditors' Report to the Member of Brit Group Services Limited (continued)

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 based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Independent Auditor's Report to the Member of Brit Group Services Limited (continued)

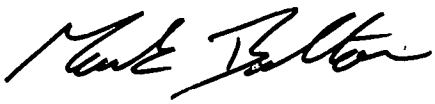
Other required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.



Mark Bolton (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
15 April 2019

Income Statement
For the Year Ended 31 December 2018

	Note	**Year ended 31 December 2018 £'000**	Year ended 31 December 2017 £'000
Turnover	2	**117,627**	116,991
Administrative expenses		**(113,825)**	(112,261)
Other operating (expense)/income	3	**(1,536)**	1,440
Foreign exchange losses		**(484)**	(1,086)
Operating profit	5	**1,782**	5,084
Interest receivable and similar income	6	**44**	22
Profit before taxation		**1,826**	5,106
Tax on profit	9(a)	**(74)**	(1,000)
Profit for the financial year		**1,752**	4,106

The notes on pages 13 to 26 form part of these financial statements.

Statement of Comprehensive Income
For the Year Ended 31 December 2018

	Note	**Year ended 31 December 2018 £'000**	Year ended 31 December 2017 £'000
Profit for the financial year		**1,752**	4,106
Actuarial gains/(losses) on defined benefit pension scheme	10	**2,853**	(1,465)
Tax relating to actuarial gains/(losses) on defined benefit pension scheme	9(b)	**(485)**	249
Total comprehensive income recognised in the year		**4,120**	2,890

The notes on pages 13 to 26 form part of these financial statements.

Statement of Financial Position
As at 31 December 2018

	Note	31 December 2018 £'000	31 December 2017 £'000
Fixed Assets			
Intangible assets	11	**16,492**	15,719
Tangible assets	12	**12,838**	14,909
Employee benefits	10	**41,668**	35,880
		70,998	66,508
Current Assets			
Debtors	14	**31,724**	20,474
Prepayments and accrued income		**13,720**	8,134
Cash at bank and in hand		**6,760**	4,066
		52,204	32,674
Current Liabilities			
Creditors: Amounts falling due within one year	15	**(77,164)**	(59,269)
Deferred tax	16	**(3,267)**	(1,430)
		(80,431)	(60,699)
Net current liabilities		**(28,227)**	(28,025)
Total assets less current liabilities		**42,771**	38,483
Creditors: Amounts falling due after more than one year	17	**(475)**	(474)
Other provisions	18	**(1,738)**	(1,729)
Net assets		**40,558**	36,280
Capital and reserves			
Called up share capital	19	**700**	700
Retained earnings		**39,858**	35,580
Total shareholder's funds		**40,558**	36,280

The financial statements on pages 9 to 26 were approved by the Board of Directors on 15 April 2019 and signed on their behalf by:

M Allan
Director

A Usher
Director

The notes on pages 13 to 26 form part of these financial statements.

Statement of Changes in Equity
For the year ended 31 December 2018

	Note	Called up share capital £'000	Retained earnings £'000	Total shareholder's funds £'000
At 1 January 2018		**700**	**35,580**	**36,280**
Profit for the financial year		-	1,752	1,752
Other comprehensive income recognised in the year		-	2,368	2,368
Share-based payments	20	-	158	158
At 31 December 2018		**700**	**39,858**	**40,558**

	Notes	Called up share capital £'000	Retained earnings £'000	Total shareholder's funds £'000
At 1 January 2017		700	32,180	32,880
Profit for the financial year		-	4,106	4,106
Other comprehensive income recognised in the year		-	(1,216)	(1,216)
Share-based payments	20	-	510	510
At 31 December 2017		700	35,580	36,280

The notes on pages 13 to 26 form part of these financial statements.

Notes to the Financial Statements
For the year ended 31 December 2018

1. Accounting policies and critical accounting estimates and judgements

(a) Basis of preparation
The financial statements have been prepared under the historical cost convention except for certain financial assets measured at fair value and in accordance with Financial Reporting Standard 102 ('FRS 102'), being applicable United Kingdom Generally Accepted Accounting Practice and the Companies Act 2006. The financial statements are presented in Sterling (GBP) and all values are rounded to the nearest £'000 except where otherwise indicated.

The Company is a private company, limited by shares and is incorporated in England. The address of its registered office is The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AB.

The financial statements for the year ended 31 December 2018 were approved for issue by the Board of Directors on 15 April 2019.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(b) Consolidated financial statements
The financial statements present information relating to Brit Group Services Limited, not to the group of which it is the parent company. Brit Group Services Limited is exempt from preparing consolidated financial statements of the group, under Section 400 of the Companies Act 2006. Brit Limited, which is registered in the UK and is an intermediate holding company, has prepared Group financial statements which are publicly available.

(c) Investments
Investments in subsidiary undertakings are stated at cost less impairment.

(d) Turnover
Turnover consists of management fees which are recognised in the accounting period in which the services are rendered.

(e) Share-based payments
The fair value of equity instruments granted under share-based payment plans are recognised as an expense and spread over the vesting period of the instrument. The total amount to be expensed is determined by reference to the fair value of the awards made at the grant date.

At the date of each statement of financial position, the Company revises its estimate of the number of equity instruments that are expected to become exercisable and it recognises the impact of the revision of original estimates, if any, in the income statement. Where the awards have been granted by a parent company and are therefore treated as equity settled a corresponding adjustment is made to equity over the remaining vesting period.

Where the awards have been granted by the Company and are therefore treated as cash-settled, a liability is provided for settlement of the awards. The corresponding adjustment arising on a revision of the original estimate is made to that liability. In addition, the fair value of the award and ultimate expense are adjusted on a change in the market share price of the underlying shares or at the valuation date.

(f) Current taxation and deferred taxation
(i) Current Taxation
Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

(ii) Deferred Taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or receive more tax.

Notes to the Financial Statements (continued)
For the year ended 31 December 2018

1. **Accounting policies and critical accounting estimates and judgements (continued)**

(f) Current taxation and deferred taxation (continued)

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(g) Expenses

All expenses are accounted for on an accruals basis.

(h) Foreign Currencies

Transactions in foreign currencies other than Sterling, United States dollars, Canadian dollars and Euros are translated at the rate of exchange ruling at the date the transaction is processed. Unless otherwise stated, transactions in United States dollars, Canadian dollars and Euros are translated at the average rates of exchange for the period. Assets and liabilities in currencies other than Sterling are translated at the rate of exchange ruling at 31 December of each year. Exchange differences arising on translation are dealt with in the income statement.

(i) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment. A review for impairment is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. Depreciation is calculated so as to write-off the cost over their estimated useful economic lives on a straight line basis as follows:

- Office refurbishment costs, office machinery, furniture and equipment — 5 - 15 years
- Computers, servers, data storage devices, networks and other IT infrastructure — 3 - 5 years

(j) Intangible fixed assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use. Internal development costs that are directly associated with the production of identifiable and unique software products controlled by the Company are also capitalised where the cost can be measured reliably, the Company intends to and has adequate resources to complete development and the computer software will generate future economic benefits. All computer software costs are finite life assets and amortised on a straight-line basis over their expected useful lives, not exceeding a period of five years.

(k) Leased assets

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to enter into an operating lease are similarly spread on a straight line basis over the lease term.

Where a building held under an operating lease is no longer employed by the Company, a provision is set up equal to the net amount of future rent payments to the expiry of the lease less any future rent receipts expected to be received from subleasing the building.

(l) Post-retirement employee benefits

The Company operates a defined contribution group personal pension plan and also makes payments into a number of personal money purchase pension plans. Contributions in respect of these schemes are charged to the income statement in the period to which they relate.

The Company also operates a defined benefit pension scheme. The asset recognised in the statement of financial position in respect of the defined benefit scheme is the fair value of the scheme assets less the present value of the defined benefit obligation which is determined by discounting the estimated future cash outflows. The discount rate is based on market yields at the reporting date of high-quality corporate bonds that have terms to maturity which approximate to those of the related pensions liability.

Notes to the Financial Statements (continued)
For the year ended 31 December 2018

1. Accounting policies and critical accounting estimates and judgements (continued)

(l) Post-retirement employee benefits (continued)

An asset is recognised only to the extent that it is considered available in the form of future refunds from the plan, in particular taking into consideration any minimum funding requirements that apply to the plan. Actuarial gains and losses are recognised immediately through other comprehensive income. The Company determines the net interest expense/income on the net defined benefit liability/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/asset.

Past service costs arising in the period are recognised immediately as an expense at the earlier of the date when the plan amendment or curtailment occurs and the date when the Company recognises related restructuring costs or termination benefits.

(m) Provisions

Provisions are liabilities with uncertainties in the amount or timing of payments. Provisions are recognised if there is a present obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made at the date of the statement of financial position. Provisions are discounted for the time value of money where the effect of this is material.

(n) Interest payable and receivable

Interest payable and receivable are recognised using the effective interest rate method.

(o) Creditors

Creditors are initially recognised at transaction price and subsequently measured at amortised cost using the effective interest rate method. Creditors are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(p) Critical accounting estimates and judgement

The amounts recognised in the financial statements in respect of the defined benefit pension plan are determined using actuarial valuations, which involves making assumptions that may differ from actual developments in the future. These include the determination of the discount rate, inflation, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The carrying amount of the pension asset at the date of the statement of financial position was £41.7m (2017: £35.9m). For further information, refer to Note 10.

2. Turnover

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Management fees	**117,627**	116,991

3. Other operating (expense)/income

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Other income	**726**	472
Change in market value of Fairfax shares	**(2,262)**	968
	(1,536)	1,440

Notes to the Financial Statements (continued)
For the year ended 31 December 2018

4. Auditor's remuneration

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Fees payable to the Company's auditor and its associates for the audit of the financial statements	**28**	26

The Company is exempt from disclosing fees paid to the Company's auditor and its associates for services other than the statutory audit of the Company as non-audit fees have been disclosed in the consolidated financial statements of Brit Limited, the parent company. The parent company is required to comply with this statutory disclosure requirement.

5. Operating profit

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
This is arrived at after charging:-		
Depreciation of tangible fixed assets	**2,985**	3,029
Amortisation of intangible assets	**4,240**	3,225
Impairment of intangible assets	**31**	-
Leasehold property rents	**3,801**	3,803
Auditor's remuneration	**28**	26
Foreign exchange losses	**484**	1,086

6. Interest receivable and similar income

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Interest receivable	**44**	22

7. Staff costs

a) The average number, on a monthly basis, of persons employed in the activities of the Company and syndicates managed by another Brit Group company during the year, including Directors, was as follows:

	Year ended 31 December 2018 No.	Year ended 31 December 2017 No.
Front office staff		
Underwriters	**124**	131
Claims staff	**57**	53
Other underwriting and direct support staff	**72**	68
Total front office staff	**253**	252
Back office staff		
Management	**68**	66
Administration	**149**	130
Total back office staff	**217**	196
Total staff	**470**	448

Notes to the Financial Statements (continued)
For the year ended 31 December 2018

7. Staff costs (continued)

(b) Their aggregate employment costs were:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Wages and salaries	**54,058**	53,508
Social security costs	**7,136**	6,855
Other pension costs	**2,970**	3,043
	64,164	63,406

8. Directors' remuneration

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Aggregate remuneration	**2,577**	3,266
Aggregate contributions to money purchase pension schemes	**10**	10
Total	**2,587**	3,276

The Directors' remuneration disclosed above includes the following amounts paid to the highest paid director:

Aggregate remuneration	**1,059**	1,350

	Year ended 31 December 2018 Number	Year ended 31 December 2017 Number
Number of Directors with benefits accruing under money purchase pension schemes	**1**	1
Number of Directors in respect of whose qualifying services, shares were received or receivable under long term incentive schemes	**4**	4

Shares were received or receivable by the highest paid Director in respect of qualifying services under a long-term incentive scheme during both 2017 and 2018.

Notes to the Financial Statements (continued)
For the year ended 31 December 2018

9. Taxation

(a) Tax on profit

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Current tax:		
UK corporation tax at 19.00% (2017: 19.25%)	**705**	168
Adjustments in respect of prior years	**573**	(772)
Total current tax credit/(charge)	**1,278**	(605)
Deferred tax:		
Origination and reversal of timing differences	**(1,233)**	(1,291)
Effect of future tax rate changes	**130**	151
Adjustments in respect of prior years	**(249)**	745
Total deferred tax	**(1,352)**	(395)
Tax charge on profit	**(74)**	(1,000)

(b) Tax (charged)/credited to other comprehensive income

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Deferred tax (charge)/credit on actuarial gains or losses on defined benefit pension scheme	**(485)**	249

(c) Tax reconciliation

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Profit before taxation	**1,826**	5,106
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	**(347)**	(983)
Effects of:		
Permanent differences	**(181)**	(140)
Adjustments in respect of prior years	**324**	(28)
Change in tax rate	**130**	151
Total tax charged to the income statement (Note 9 (a))	**(74)**	(1,000)

(d) Effect of post balance sheet rate changes

UK legislation was substantively enacted on 9 September 2016 to reduce the main rate of UK corporation tax from 19% to 17% from 1 April 2020.

The reduction in rate from 19% to 17% has been used in the calculation of the UK's deferred tax assets and liabilities as at 31 December 2018.

Notes to the Financial Statements (continued)
For the year ended 31 December 2018

10. Employee benefits

The Company has the following pension schemes in operation:

(i) Brit Group Services Limited – funded defined benefit pension scheme

The Company on behalf of the Brit Limited Group operates a funded defined benefit pension scheme providing pensions benefits to its members. The scheme closed to new entrants on 4 October 2001 and closed to future accrual of benefits on 31 December 2011. All active members of the defined benefit scheme joined the defined contribution plan for future service. Following closure to future accrual, benefits now increase broadly in line with inflation. The weighted average duration to payment of the scheme's expected cash flows is 15 years (2017: 17 years).

The scheme is approved by HMRC for tax purposes. The scheme is operated from a trust, which has assets which are held separately from the Group. The trust is managed by an independent Trustee. The Trustee is responsible for payment of the benefits and management of the scheme's assets. The scheme is subject to UK regulations overseen by the Pensions Regulator, which require the Group and Trustee to agree a funding strategy and contribution schedule for the scheme every three years. The most recent triennial review of the scheme was undertaken as at 31 July 2015 and identified a funding surplus of £7.1m. The valuation as at 31 July 2018 is currently underway.

Following the 2015 valuation, the Group agreed to continue to pay the remainder of the recovery plan agreed following the previous actuarial valuation, namely a contribution of £1.6m on 31 July 2016. The Group has also committed to pay further contributions to the scheme of at least £2.0m a year on each 31 July from 2017 to 2024. These contributions are payable by Brit Group Services Limited and backed-up by cross-company guarantees from Brit Insurance Holdings Limited.

If there is a shortfall against the funding target, then the Company and Trustee will agree on deficit contributions to meet this deficit over a period. There is a risk to the Company that adverse experience could lead to a requirement for the Company to make additional contributions in excess of those above to recover any deficit that arises.

The amount included in the statement of financial position arising from the Company's obligations in respect of the scheme is as follows:

Net amount recognised in the statement of financial position for the scheme:

	31 December 2018 £'000	31 December 2017 £'000
Present value of defined benefit obligation	**(137,066)**	(156,068)
Fair value of scheme assets	**178,734**	191,948
Net pension asset	**41,668**	35,880

The measurement of the net pension asset is impacted by a number of factors, including the actuarial assumptions used and the contributions paid to the scheme by the Group.

Changes in net assets recognised in the statement of financial position:

	31 December 2018 £'000	31 December 2017 £'000
Opening balance sheet asset	**35,880**	34,360
Credit to the income statement	**935**	985
Amounts recognised outside income statement	**2,853**	(1,465)
Contributions paid	**2,000**	2,000
Closing balance sheet asset	**41,668**	35,880

Notes to the Financial Statements (continued)
For the year ended 31 December 2018

10. Employee benefits (continued)

A net pension asset is recognised on the statement of financial position as there is an unconditional right of the company to be refunded the surplus in the scheme. The company expects to realise the economic benefit of the net pension asset as the obligations and funding requirements change over the life of the scheme. Deferred tax related to the net pension asset is measured using the tax rates expected to apply to the periods during which the asset is recovered, and is presented within the deferred tax line of the statement of financial position.

Net credit recognised in the income statement:

	31 December 2018 £'000	31 December 2017 £'000
Net interest on net defined benefit asset	**935**	985
Net credit	**935**	985

This credit has been recognised in the operating expenses line of the income statement. Contributions to the Group's defined contribution pension arrangements are in addition to those set out in this note and are charged directly to the income statement.

The allocation of the scheme's assets was as follows:

	31 December 2018 £'000	31 December 2017 £'000
Equities	**27,806**	34,552
Index-linked UK government bonds	**92,679**	100,355
Other debt securities	**50,419**	49,726
Cash and net current assets	**4,772**	5,455
Gold and gold mining equities	**1,918**	1,162
Other scheme assets	**1,140**	698
Fair value of scheme assets	**178,734**	191,948

All scheme assets have quoted prices in active markets. The scheme does not invest directly in property occupied by the Group or in financial securities issued by the Group.

Investment strategy:
The Trustee determines the scheme's investment strategy after taking appropriate advice from their investment consultants. The management of the assets is delegated to State Street Global Advisors Limited, Ruffer LLP and Insight Investment Management (Global) Limited. The Trustee's investment objective are to ensure that the scheme has adequate resources to meet the members' entitlements under the Trust Deed and Rules as they fall due, and thereafter to minimise long-term costs of the scheme by maximising the return on the assets. Investment risk is managed by diversifying the assets across asset classes whose return patterns are not highly correlated, and by periodically rebalancing asset classes. The assets include a portfolio of UK index-linked government bonds which aim to match a significant part of the scheme's inflation-linked benefits and therefore help to reduce the Group's exposure to investment and inflation risks.

Notes to the Financial Statements (continued)
For the year ended 31 December 2018

10. Employee benefits (continued)

Movements in the present value of the defined benefit obligation were as follows:

	31 December 2018 £'000	31 December 2017 £'000
Opening defined benefit obligation	**156,068**	156,198
Interest cost	**3,833**	4,233
Actuarial (gains)/losses	**(13,178)**	5,984
Benefits paid	**(9,657)**	(10,347)
Closing defined benefit obligation	**137,066**	156,068

Movements in the fair value of the scheme assets were as follows:

	31 December 2018 £'000	31 December 2017 £'000
Opening fair value of the scheme assets	**191,948**	190,558
Interest income	**4,768**	5,218
Actual return excluding interest income	**(10,325)**	4,519
Contributions by the employer	**2,000**	2,000
Benefits paid	**(9,657)**	(10,347)
Closing fair value of scheme assets	**178,734**	191,948

The loss on plan assets over the year was £5.6m (2017: £9.7m return).

The actuarial assumptions at the year-end were:

	31 December 2018 % per annum	31 December 2017 % per annum
Retail Prices inflation	**3.3**	3.3
Consumer Prices inflation	**2.3**	2.3
Discount rate	**2.9**	2.6
Pension increases in payment	**3.1**	3.1
Life expectancy of a pensioner aged 60 at the balance sheet date:		
Male	**27.7 years**	28.0 years
Female	**29.8 years**	30.3 years
Life expectancy of a member retiring at age 60 in 20 years' time:		
Male	**29.2 years**	29.9 years
Female	**31.4 years**	32.2 years

The assumptions used to determine end-of-year benefit obligations are also used to calculate the following year's cost.

(ii) Brit Group Services Limited - Defined Contribution Group Personal Pension Plan

From 5 October 2001, Brit Group Services Limited has operated a defined contribution group personal pension plan. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by Brit Group Services Limited to the fund and amounted to £3,905k (2017: £4,028k). These costs have been included within other pension costs in the income statement. At 31 December 2018 no contributions were payable to the fund (2017: nil).

Notes to the Financial Statements (continued)
For the year ended 31 December 2018

11. Intangible assets

	Software £'000
Cost at:	
1 January 2018	28,158
Additions	5,044
Disposals	(4,734)
31 December 2018	**28,468**
Accumulated amortisation at:	
1 January 2018	12,439
Charge for year	4,240
Impairment	31
Disposals	(4,734)
31 December 2018	**11,976**
Net book values at:	
31 December 2018	**16,492**
31 December 2017	15,719

The software amortisation charge for the year of £4,240k (2017: £3,225k) is included in the 'administrative expenses' line in the income statement.

All software additions in 2017 and 2018 were internally developed.

There is no individual intangible asset that is material to the entity's financial statements (2017: nil).

12. Tangible fixed assets

	Office Refurbishment £'000	Computers, Office Machinery, Furniture and Equipment £'000	**Total £'000**
Cost at:			
1 January 2018	14,535	7,494	**22,029**
Additions	277	637	**914**
Disposals	-	(596)	**(596)**
31 December 2018	**14,812**	**7,535**	**22,347**
Accumulated depreciation at:			
1 January 2018	2,678	4,442	**7,120**
Charge for year	1,198	1,787	**2,985**
Disposals	-	(596)	**(596)**
31 December 2018	**3,876**	**5,633**	**9,509**
Net book values at:			
31 December 2018	**10,396**	**1,902**	**12,838**
31 December 2017	11,857	3,052	14,909

The depreciation charge for the year of £2,985k (2017: £3,029k) is included in the 'administrative expenses' line in the income statement.

Notes to the Financial Statements (continued)
For the year ended 31 December 2018

13. Investments in group undertakings

The Company holds investments in three dormant Group services companies.

Details of the Company's subsidiaries are as follows:

Name of company	Nature of business
Brit Corporate Secretaries Limited	Group services company (Dormant)
Brit Corporate Services Limited	Group services company (Dormant)
Brit Pension Trustee Limited	Group services company (Dormant)

Brit Group Services Limited owns 100% of the ordinary share capital of its subsidiary companies listed above, all of which were incorporated in England. The registered address and principal place of business of all of the subsidiaries is The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AB.

Each of these subsidiaries is carried in the statement of financial position at £1. The Directors are of the opinion that the value of the Company's investments is not less than the amount stated in the statement of financial position.

14. Debtors

	31 December 2018 £'000	31 December 2017 £'000
Due within one year:		
Amounts owed by Group undertakings	**9,325**	5,205
Corporation tax receivable	**205**	-
Other assets	**22,194**	15,269
	31,724	20,474

Other assets relate to shares purchased to settle share-based payment awards.

15. Creditors

	31 December 2018 £'000	31 December 2017 £'000
Amounts falling due within one year:		
Other taxation and social security	**1,939**	1,376
Corporation tax payable	**-**	326
Other creditors	**4,251**	2,955
Amounts owed to Group undertakings	**41,414**	26,723
Accruals and deferred income	**29,560**	27,889
	77,164	59,269

Notes to the Financial Statements (continued)
For the year ended 31 December 2018

16. Deferred tax

	31 December 2018 £'000	31 December 2017 £'000
Liability		
Other timing differences – capital allowances	**(2,869)**	(3,787)
Other timing differences – pension scheme surplus	**7,083**	6,097
Other timing differences – other	**(947)**	(880)
	3,267	1,430
Deferred tax liability at the start of the year	**1,430**	1,284
Deferred tax charge in income statement for year (Note 9 (a))	**1,352**	395
Tax relating to components of other comprehensive income	**485**	(249)
Liability at end of year	**3,267**	1,430

Following changes enacted in Finance Act 2016 to UK tax rates in respect of future years the deferred tax assets and liabilities have been calculated at 17% (2017: 17%), being the tax rate applying from April 2020.

As at 31 December 2017 the Company had not provided deferred tax on losses amounting to £1,165k due to uncertainty over the timing of their utilisation. This would have resulted in additional deferred tax assets of £198k had they been provided. As at 31 December 2018 the Company had utilised all brought forward losses.

17. Long service award accrual

	31 December 2018 £'000	31 December 2017 £'000
Amounts falling due within one year	**121**	99
Amounts falling due after one year	**475**	474
Long service award accrual	**596**	573

18. Other Provisions

	Dilapidations £'000
Provision at 1 January 2018	**1,729**
Utilised in the year	**(21)**
Unwinding of discount	**30**
Provision at 31 December 2018	**1,738**

Dilapidations:
The dilapidation provision relates to contractual obligations of the Company on surrender of leased properties to reinstate the properties to the same state and condition as before occupancy.

Notes to the Financial Statements (continued)
For the year ended 31 December 2018

19. Called up share capital

	31 December 2018 £'000	31 December 2017 £'000
Allotted and called up and fully paid: 2,800,000 ordinary shares 25p each	**700**	700

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

20. Share-based payments

Until 5 June 2015, the ultimate parent of the Company during that period, Brit Limited, operated an equity settled Performance Share Plan and an equity settled All-Employee Share Plan. Following control of Brit Limited passing on that date to Fairfax Financial Holdings Group Limited, a subsidiary of Fairfax Financial Holdings Limited, the awards under these Brit schemes either vested or were replaced with awards under a Fairfax Financial Holdings Limited Long Term Incentive Plan (treated as equity-settled). Subsequent to 5 June 2015, a further Long Term Incentive Plan (treated as cash-settled) and an Employee Share Ownership Plan (ESOP) (treated as equity-settled) denominated in Fairfax Financial Holdings Limited shares were made available to the employees of the Company. All of these schemes are deemed to fall within the scope of Section 26 'Share-based Payment' of FRS 102.

The Fairfax LTIP schemes have no performance conditions and a vesting period of 3 to 5 years. The Fairfax ESOP has no performance conditions and no vesting period.

The compensation cost relating to employees of the Company and recognised in the income statement under FRS 102, section 26 'Share-Based Payment' was £660k (2017: £2,846k) of which £158k (2017: £510k) was recognised in equity.

For more information, refer to the Brit Limited consolidated financial statements, which can be obtained by writing to The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AB.

21. Operating lease commitments

The total of future minimum lease payments under non-cancellable operating leases for each of the following periods was as follows:-

	31 December 2018 £'000	31 December 2017 £'000
Land and Buildings:		
Not later than one year	**4,568**	4,566
Later than one year and not later than five years	**18,272**	18,262
Later than five years	**29,312**	33,861
	52,152	56,689

Notes to the Financial Statements (continued)
For the year ended 31 December 2018

22. Disclosure exemptions

The Company has taken advantage of the disclosure exemptions provided by paragraph 1.12 of FRS 102. Accordingly, these financial statements do not include the following:

- Statement of cash flows;
- A reconciliation of shares outstanding at the beginning and end of the period;
- Specific information relating to financial instruments that is included within equivalent disclosures for the Group;
- Specific information relating to share-based payments that is included within equivalent disclosures for the Group; and
- Disclosure of key management personnel compensation.

The Company has been consolidated into the Group financial statements of Brit Limited. The Brit Limited consolidated financial statements and accompanying notes provide further detail in respect of these areas, copies of whose financial statements can be obtained from The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AB.

23. Related party transactions

The Company has taken advantage of the exemption afforded by FRS 102, paragraph 33.1A, in not disclosing transactions with other wholly owned subsidiaries of the Brit Limited Group.

24. Controlling parties

The Company is a wholly owned subsidiary of Brit Insurance Holdings Limited a company registered in the United Kingdom. As at 31 December 2018, the ultimate parent company was Fairfax Financial Holdings Limited a company registered in Canada. Copies of Fairfax consolidated financial statements can be obtained by writing to 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada, M5J 2N7, or from the website at www.fairfax.ca.

The Company is included in the consolidated financial statements of the intermediate parent, Brit Limited. See Note 22 above.