

**Global Aerospace
Underwriting Managers Limited**

**Directors' Report and Financial Statements
for the
year ended
31 December 2018**

Registered Number 02512067



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Directors

N Brown

D Höpke
(resigned 02 Oct 18)

G Finney
(appointed 24 Oct 18)

C U Kroll

R Love

S A Michael

S Österlein

A M E Tasker

Registered Office
Fitzwilliam House
10 St Mary Axe
London EC3A 8EQ

STRATEGIC REPORT

Business review and principal activities

The Company is the holding company of a group of companies, the principal activity of which is the transaction, as agent, of aerospace insurance. During 2018, business was underwritten on behalf of the Global Aerospace Pool, the members of which were:

National Indemnity Company
Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München
The Tokio Marine & Nichido Fire Insurance Co. Ltd
Mitsui Sumitomo Insurance Co. Ltd
Mapfre Global Risks Compañía Internacional De Seguros Y Reaseguros, SA.

The Group handles claims arising from current and previous business underwritten, and manages the run-off of the British Aviation Insurance Group pool in the UK and Canada and the Associated Aviation Underwriters pool in the US. The Group also provides management services to a number of aerospace insurance operations in run-off. The Company is authorised and regulated by the Financial Conduct Authority as an insurance intermediary. The Group has its Head Office in the UK and has operations in the US, Canada, Switzerland, France and Germany.

The financial performance of the Group depends primarily on the state of the aviation insurance market which has historically been cyclical. The income of the Group comes largely from management charges, fees and commissions charged to current and run-off pool members and depends upon the expenses of the Group, premiums written and pool profitability. The expenses of the Group together with any deficit arising in the Group's defined benefit retirement plans are charged to the pool members by way of a management charge. The profit of the Group is therefore derived from the management fees and profit commissions from the Global Aerospace Pool but also reflects the difference between the reimbursement of any deficit in the defined benefit retirement plans less any amounts recognised as expense during the year.

The business model of the Group also depends on it retaining its own regulatory approvals worldwide and the maintenance of a pool of financially strong insurers who can make available to the Group licensed insurance capacity in the jurisdictions in which the Group transacts aviation insurance worldwide.

Over recent years the aviation insurance market has been highly competitive as a number of new entrants joined the market and sought to acquire business. In this trading environment the Group adopted a selective approach to pool underwriting as a result of which premium volumes declined between 2009 and 2016, and this was reflected in the Group's management fee. Despite this, underwriting results for the recent pool years have been acceptable and have generated a satisfactory level of profit commission. The market has recently started to improve somewhat and premium volumes underwritten grew in 2017 and 2018.

Note 1 to the financial statements explains the various elements of Group income. The Group's income and Key Performance Indicators (KPIs) in 2018 includes the 2018 management fee and profit commission on the 2017 pool along with an update to the 2016 position. Income also includes the management charge in respect of the Group's expenses. Total income in 2018 was £50 million compared with £57 million in 2017. Because of the charging agreement with pool members, total comprehensive income for the year before currency translation movements is a KPI. This was £4.3 million in 2018 compared with £3.3 million in 2017.

The Group continues to develop and refine its underwriting approach and adopts a selective and disciplined approach to risk selection. The overall financial position at the end of the year was satisfactory and the directors expect this to continue.

In 2015 the Group acquired Fireside Partners Inc., a company which provides emergency response services in the US. Its sales in 2018 were \$1.6 million (2017: \$1.4 million) and the result for the year was a profit of \$29,000 (2017: loss of \$128,000).

The Group has adequate financial resources and enjoys the continued commitment of its pool members. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully. The 2018 pool members are unchanged from 2017. Terms in the agreement between the Company and its shareholders allow the Directors to require the shareholders to subscribe for further shares (up to the outstanding

STRATEGIC REPORT

amount on the shareholders' loans) in the Company in order to enable the Company to avoid insolvency. This further strengthens the financial position of the Company.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the directors' report and financial statements.

Principal risks and uncertainties

The management of the business and execution of the Group's strategy are subject to a number of risks. The key business risks affecting the Group are set out below. Risks are formally reviewed by the Board and processes are in place to monitor and mitigate them.

Market conditions

The aviation market has historically been cyclical, with market premium rising and falling both as capacity leaves and enters the market and as losses affect trading results. During soft market conditions the business underwritten on behalf of pool members is likely to be less profitable. Underwriting losses could arise due to the potential for catastrophic losses. To mitigate these risks, the Group's underwriting strategy is based on prevailing market conditions and senior management closely monitors and manages the underwriting, which includes holding regular formal reviews. The underwriting is underpinned by loss models and pricing algorithms which are regularly reviewed and updated.

Employees

The Group's performance depends largely on the expertise and commercial judgments of its staff. The resignation of key individuals or the inability to recruit people with the right experience and skills could adversely impact the Group's results. To mitigate this risk the Group's employment and remuneration strategies contain a number of elements specifically aimed at retaining key staff.

Financial risks

The Group's activities expose it to financial risks, mainly credit risk, currency risk and interest rate risk. Credit risk arises on deposits with financial institutions and is managed by restricting such deposits to highly rated institutions only and by spreading deposits over several institutions. Currency risk arises as substantial amounts of the Group's income and assets are US dollar denominated. These exposures are monitored but not generally hedged. Interest rate risk arises as the Company has loans from shareholders at a floating Sterling interest rate. The significance of financial instruments to the Group's performance and financial position is further detailed in the financial instruments disclosure note to the financial statements (Note 3).

Impact of Brexit

The transacting of business from the European Union in the UK has hitherto been made possible by 'passporting' rights afforded by the FCA's regulation of the UK Company. The regulatory authorisation of the UK Company's branches in the European Union has been achieved by the FCA's regulation of the UK Company. The Group planned for a post-Brexit situation where these provisions disappear and implemented a new structure accordingly. This involved the establishment of a new subsidiary company in France, namely Global Aerospace Underwriting Managers (Europe) which since the year end has assumed the business from the former French branch of the Company. The former German branch of the Company has now become a branch of Global Aerospace Underwriting Managers (Europe). It is believed that these new arrangements to access business from the European Union after Brexit will not result in a noticeable loss of the business currently transacted. The new structure has incurred financial cost to plan and implement, but it is not expected that Brexit will have a long-term adverse effect on the business done by the Group.

Approved and signed on behalf of the Board



N Fernandes
Company Secretary
23 April 2019

DIRECTORS' REPORT

Group directors' report for the year ended 31 December 2018

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

Results and dividend

The profit of the Group before income tax for the year ended 31 December 2018 amounted to £4,796,000 (2017: £5,446,000). The profit for the year for the Group was £3,116,000 (2017: £2,297,000). An interim dividend of £3,283,000 was paid in the year (2017: £4,113,000); no final dividend is proposed (2017: nil).

Directors and their interests

The names of the directors who held office during the year and up to the date of signing are shown on page 2.

None of the directors had any beneficial interest in the share capital of the group companies at the beginning of the year, during the year, or at the end of the year.

Directors' indemnities

A qualifying third-party indemnity provision as defined in Section 234 of the Companies Act 2006 is in force for the benefit of each of the Directors and the Company Secretary in respect of liabilities incurred as a result of their office, to the extent permitted by law.

Employees

The group encourages the involvement of employees by means of regular updates on business performance and forecasts, staff surveys and performance related remuneration.

The group is committed to employment policies which follow best practice based on equal opportunities for all employees irrespective of sex, race, disability or marital status. The group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. If members of staff become disabled, where possible, the group continues their employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Financial Instruments

The Company holds financial instruments to support unfunded pension and post-retirement benefits as described in Note 14.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group 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 the Group and enable them to ensure that the financial statements comply with the Companies Act 2006.

DIRECTORS' REPORT

They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the Auditors

Each of the persons who is a director at the date of this report confirms that:

- so far as each of them is aware, there is no information relevant to the audit of the Company's consolidated financial statements for the year ended 31 December 2018 of which the auditors are unaware; and
- the director has taken all steps that he/she ought to have taken in his/her duty as a director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution to reappoint Mazars LLP as auditors to the Company will be put to the Annual General Meeting.

Approved and signed on behalf of the Board



N Fernandes
Company Secretary
23 April 2019

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLOBAL AEROSPACE
UNDERWRITING MANAGERS LTD**

Opinion

We have audited the financial statements of Global Aerospace Underwriting Managers Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the Consolidated and Parent Balance Sheet, the Consolidated Statement of Comprehensive Income, the Consolidated and the Parent Statement of Changes in Equity, the Consolidated and the Parent Cash Flows Statement 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's comprehensive income for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 the 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, currently due to occur on 29 March 2019, are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Group's and Company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Group and Company as part of our audit procedures, applying a standard firm-wide approach in response to the uncertainty associated with the Group's and 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
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Director's Report and Financial Statements, 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 group and the parent 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

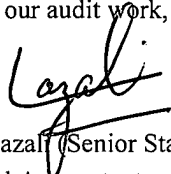
Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at 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 members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.



Lionel Cazali (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London
E1W1DD
23 April 2019

CONSOLIDATED BALANCE SHEET
as at 31 December 2018

	Note	2018 £'000	2017 £'000
ASSETS			
Non-current assets			
Goodwill	4	68,506	64,662
Intangible assets	4	1,178	1,161
Property, plant and equipment	5	2,043	2,323
Deferred tax asset	7	4,110	3,712
Trade and other receivables	8	1,234	1,450
Financial assets	9	14,426	14,377
Retirement plan assets	14	5,038	3,593
		<u>96,535</u>	<u>91,278</u>
Current assets			
Trade and other receivables	8	7,035	6,972
Cash and cash equivalents	10	21,129	17,214
Current tax asset		1,039	3,587
		<u>29,203</u>	<u>27,773</u>
Total Assets		<u><u>125,738</u></u>	<u><u>119,051</u></u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	11	25,000	25,000
Cumulative translation reserve	12	8,852	4,384
Retained earnings		5,208	4,222
Total Equity		<u>39,060</u>	<u>33,606</u>
Non-current liabilities			
Borrowings	16	50,502	50,454
Trade and other payables	13	4,200	3,603
Contract liabilities	17	1,190	1,131
Deferred tax liability	7	623	398
Retirement benefit obligations	14	8,931	15,076
Provisions and other liabilities	15	221	214
		<u>65,667</u>	<u>70,876</u>
Current liabilities			
Borrowings	16	18	17
Trade and other payables	13	14,221	8,308
Contract liabilities	17	6,772	6,244
		<u>21,011</u>	<u>14,569</u>
Total Liabilities		<u>86,678</u>	<u>85,445</u>
Total Equity and Liabilities		<u><u>125,738</u></u>	<u><u>119,051</u></u>

The financial statements on pages 10 to 57 were approved by the Board on 23 April 2019 and signed on its behalf by

S A Michael
Director



A M E Tasker
Director



Registered number: 02512067

PARENT COMPANY BALANCE SHEET
as at 31 December 2018

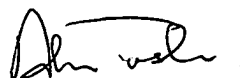
	Note	2018 £'000	2017 £'000
ASSETS			
Non-current assets			
Intangible assets	4	187	167
Property, plant and equipment	5	748	766
Investment in subsidiaries	6	91,706	91,706
Trade and other receivables	8	763	610
Retirement plan assets	14	3,831	3,523
		<u>97,235</u>	<u>96,772</u>
Current assets			
Trade and other receivables	8	4,459	4,096
Cash and cash equivalents	10	7,595	8,830
Current tax asset		395	846
		<u>12,449</u>	<u>13,772</u>
Total Assets		<u><u>109,684</u></u>	<u><u>110,544</u></u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	11	25,000	25,000
Retained earnings		24,284	24,419
Total Equity		<u>49,284</u>	<u>49,419</u>
Non-current liabilities			
Borrowings	16	50,502	50,454
Trade and other payables	13	1,818	1,552
Contract liabilities	17	33	27
Deferred tax liability	7	495	398
Provisions and other liabilities	15	221	214
		<u>53,069</u>	<u>52,645</u>
Current liabilities			
Borrowings	16	18	17
Trade and other payables	13	5,438	6,512
Contract liabilities	17	1,870	1,951
Current tax liability		5	-
		<u>7,331</u>	<u>8,480</u>
Total Liabilities		<u>60,400</u>	<u>61,125</u>
Total Equity and Liabilities		<u><u>109,684</u></u>	<u><u>110,544</u></u>

The financial statements on pages 10 to 57 were approved by the Board on 23 April 2019 and signed on its behalf by

S A Michael
Director



A M E Tasker
Director



Registered number: 02512067

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Revenue	18	49,717	56,816
Administrative expenses	19	(44,294)	(51,364)
Other gains/(losses)	20	<u>8</u>	<u>420</u>
Operating profit		5,431	5,872
Finance income	21	693	742
Finance costs	21	<u>(1,328)</u>	<u>(1,168)</u>
Profit before tax		4,796	5,446
Tax expense	22	<u>(1,680)</u>	<u>(3,149)</u>
Profit for the year		<u>3,116</u>	<u>2,297</u>
OTHER COMPREHENSIVE INCOME (NET OF TAX)			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit obligation		1,962	527
Items that may be subsequently reclassified to profit or loss			
Gain/(losses) on financial assets measured at fair value through other comprehensive income		(809)	458
Total comprehensive income for the year before currency translation movements		<u>4,269</u>	<u>3,282</u>
Currency translation difference	12	4,468	(7,407)
Total comprehensive income for the year		<u>8,737</u>	<u>(4,125)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	Note	Share Capital £'000	Cumulative translation reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 January 2017		25,000	11,791	5,053	41,844
Profit for the year				2,297	2,297
Other comprehensive income					
Remeasurement of defined benefit obligation				527	527
Gains on financial assets measured at fair value through other comprehensive income				458	458
Currency translation differences	12		(7,407)		(7,407)
Total comprehensive income for the year					(4,125)
Transactions with owners					
Dividend paid				(4,113)	(4,113)
Balance at 31 December 2017		<u>25,000</u>	<u>4,384</u>	<u>4,222</u>	<u>33,606</u>
Balance at 1 January 2018		25,000	4,384	4,222	33,606
Profit for the year				3,116	3,116
Other comprehensive income					
Remeasurement of defined benefit obligation				1,962	1,962
Gains on financial assets measured at fair value through other comprehensive income				(809)	(809)
Currency translation differences	12		4,468		4,468
Total comprehensive income for the year					8,737
Transactions with owners					
Dividend paid				(3,283)	(3,283)
Balance at 31 December 2018		<u>25,000</u>	<u>8,852</u>	<u>5,208</u>	<u>39,060</u>

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 January 2017	25,000	25,116	50,116
Profit for the year		1,673	1,673
Other comprehensive income			
Remeasurement of defined benefit obligation		1,743	1,743
Total comprehensive income for the year			3,416
Transactions with owners			
Dividend paid		(4,113)	(4,113)
Balance at 31 December 2017	25,000	24,419	49,419
Balance at 1 January 2018	25,000	24,419	49,419
Profit for the year		3,440	3,440
Other comprehensive income			
Remeasurement of defined benefit obligation		(292)	(292)
Total comprehensive income for the year			3,148
Transactions with owners			
Dividend paid		(3,283)	(3,283)
Balance at 31 December 2018	25,000	24,284	49,284

Total recognised income and expense for the year is the same as profit for the year.

CONSOLIDATED CASH FLOWS STATEMENT
for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Cash flow from operating activities			
Cash generated from operations	25	8,072	5,935
Interest paid		(16)	(12)
Income tax refunded/(paid)		452	(1,817)
Net cash generated from operating activities		<u>8,508</u>	<u>4,106</u>
Cash flow from investing activities			
Purchases of property, plant and equipment (PPE)		(288)	(585)
Purchases of intangible assets		(696)	(719)
Purchase of investments		(360)	(1,464)
Realised gain/(loss) from sale of investments		6	402
Interest received		693	742
Net cash used in investing activities		<u>(645)</u>	<u>(1,624)</u>
Cash flow from financing activities			
Finance lease borrowings		123	6
Repayment of borrowings		(74)	(22)
Dividends paid to Company's shareholders		(3,283)	(4,113)
Interest paid on shareholder loan		(1,257)	(1,134)
Net cash used in financing activities		<u>(4,491)</u>	<u>(5,263)</u>
Net increase/(decrease) in cash and cash equivalents		3,372	(2,781)
Cash and cash equivalents at beginning of year	10	17,214	21,309
Exchange gain/(loss) on cash and cash equivalents		543	(1,314)
Cash and cash equivalents at end of the year	10	<u>21,129</u>	<u>17,214</u>

PARENT COMPANY CASH FLOWS STATEMENT
for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Cash flow from operating activities			
Cash generated from operations	25	2,809	4,483
Interest paid		(16)	(12)
Income tax paid		(79)	(49)
Net cash generated from operating activities		<u>2,714</u>	<u>4,422</u>
Cash flow from investing activities			
Purchase of intangible assets		(149)	(101)
Purchases of property, plant and equipment (PPE)		(200)	(95)
Dividend received		837	1,488
Interest received		54	25
Net cash generated from investing activities		<u>542</u>	<u>1,317</u>
Cash flow from financing activities			
Finance lease borrowings		123	6
Repayment of borrowings		(74)	(22)
Dividends paid to Company's shareholders		(3,283)	(4,113)
Interest paid on shareholder loan		(1,257)	(1,134)
Net cash used in financing activities		<u>(4,491)</u>	<u>(5,263)</u>
Net increase/(decrease) in cash and cash equivalents		(1,235)	476
Cash and cash equivalents at beginning of year	10	<u>8,830</u>	<u>8,354</u>
Cash and cash equivalents at end of the year	10	<u>7,595</u>	<u>8,830</u>

1. ACCOUNTING POLICIES

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

Basis of preparation

The consolidated financial statements of Global Aerospace Underwriting Managers Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, modified by the revaluation of financial assets at fair value through profit or loss. The going concern basis has been used.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

Consolidation

The consolidated financial statements comprise the financial statements of Global Aerospace Underwriting Managers Limited and its subsidiaries as at 31 December each year. No profit or loss account is presented for Global Aerospace Underwriting Managers Limited, as provided by Section 408 of the Companies Act 2006. The profit after tax of the Company for the year is £3,440,000 (2017: £1,673,000).

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of cost of acquisition over the fair value of the identifiable net assets is recorded as goodwill.

Intra-group transactions, balances and unrealised gains on intra-group transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Foreign currency

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in sterling, which is the parent company's functional and presentation currency.

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the exchange rate prevailing at the date of the transaction. Since most of the income in foreign currencies is earned over the year, the use of the average rate for the year is the most appropriate rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

1. **ACCOUNTING POLICIES (continued)**

Financial statements of foreign operations

The results and financial position of all group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- 1) The assets and liabilities of foreign operations, including goodwill arising on consolidation, are translated to Sterling at exchange rates at the balance sheet date.
- 2) The revenues and expenses of foreign operations are translated to sterling at rates approximating the exchange rates at the dates of the transactions.

Net investment in foreign operations

Exchange differences arising at year end from the translation of net investment in foreign operations are taken to the translation reserve.

Property, plant and equipment

All property, plant and equipment are shown at cost less subsequent depreciation.

Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life as follows:

Computer Equipment	3-6 years
Equipment	5-6 years
Aircraft and motor vehicles	4-5 years

Equipment includes furniture and fixtures. Leasehold improvements are depreciated over the length of the lease.

Intangible assets

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. The costs are amortised on the basis of the expected useful life (2-3 years).

Computer software development costs recognised as assets are amortised using the straight line method over their useful lives (2-3 years).

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill has an indefinite useful life and is tested annually for impairment, or more frequently if events or changes in circumstances indicate potential impairment, and carried at cost less accumulated impairment losses. For the purposes of impairment testing, goodwill is allocated to individual subsidiaries as these are regarded as being individual cash generating units (CGUs).

Goodwill arising on acquisitions before the transition to IFRS on 1 January 2004 has been retained at the previous UK GAAP amounts subject to being tested for impairment.

Investments

Investments are financial assets held to support deficits and liabilities of the Group's post-retirement schemes. Purchases and sales of investments are recognised on the date of trade. The fair value of the mutual funds are based on their net asset value per share.

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Borrowings

Borrowings are recognised initially at fair value and their carrying amount thereafter approximates their fair value. Borrowings are classified as non-current liabilities as the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

1. **ACCOUNTING POLICIES (continued)**

Deferred taxation

Deferred taxation is recognised on all taxable temporary differences using the liability method. In addition, a deferred tax asset is recognised to the extent that it is probable that a taxable surplus will be available against which the deductible temporary difference can be utilised.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Pension obligations

The Group operates defined benefit pension schemes and defined contribution savings plans. Separate schemes are offered to employees in the United Kingdom, United States of America, Canada, France, Switzerland and Germany. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

The asset recognised in the balance sheet in respect of defined benefit pension plans is the fair value of plan assets less the present value of the defined obligation at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligations.

Actuarial gains and losses that arise from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Past service costs are recognised immediately in income.

For defined contribution plans, amounts payable to the plan are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available. The group has no further payment obligations once the contributions have been paid.

Other post-retirement benefits

In the United States of America post-retirement healthcare is provided to certain retirees. The entitlement to those benefits is conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments are charged or credited to comprehensive income.

Leases

The group leases certain property, plant and equipment.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight line basis over the period of the lease. Lease income on operating leases is recognised over the term of the lease on a straight-line basis.

Leases where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

1. **ACCOUNTING POLICIES (continued)**

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Revenue

Management charge

Pool Members reimburse the Group's expenses as consideration for transacting aerospace insurance as their agent. Funding is received quarterly in advance and revenue is recognised through the year as expenses are incurred. The excess of funding received over revenue recognised for the current calendar year is a liability repayable to the pool members since by year end the Group has fulfilled its performance obligations for the year. Any funding received during the year in respect of the following year is a contract liability which reflects the Group's obligations in respect of the following calendar year.

Management fee

Pool Members pay a fee based on the aggregate gross written premium as consideration for transacting aerospace insurance on their behalf. Revenue is recorded on an estimated basis as premiums are written and is adjusted over the next two years, to reflect changes in estimated gross written premium, until the fee is received. Once the fee is received, no further adjustments to revenue are made.

Profit commission

Pool Members pay the Group a fee based on the total pool trading return as consideration for transacting aerospace insurance on their behalf. This performance obligation is satisfied throughout the year. The total trading returns cannot be reliably estimated until sometime after the year end as claims take time to be notified and settled. Therefore profit commission is only recognised as a receivable when it's probable that a significant reversal of revenue will not be required. For the 20x1 pool year total trading return, profit commission will first be recognised on an expected value basis in 20x2, then revised in 20x3 as loss experience develops; consideration is received in 20x4. Once consideration is received, no further adjustments to revenue are made. When an underwriting year makes a loss, the reduction this makes to the profit commission for the next profitable underwriting year is recognised when that profit commission is credited.

Other Aviation Insurance Management Revenue

This revenue category includes fees charged to policyholders, co-insurers and reinsurers. Where the Group transacts insurance as the lead market, policyholders are charged for the additional administrative work undertaken. Co-insurers are charged for claims handling and surveys undertaken. Ceding commission and other similar income streams are received from proportional reinsurers. In each of these contracts, revenue is recognised as services are provided. Some elements of this consideration are variable but are not constrained and all payment terms are within one year.

Fireside Disaster Response

Fireside generates revenue from service agreements and other emergency response related services. Service agreements typically cover a one year term and provide asset monitoring by Fireside's Emergency Operations Centre. Consideration is received at contract inception and revenue is recognised evenly over the contract term. A contract liability for outstanding service agreement obligations is recognised each reporting period. Additional revenues are generated from training, speaking, seminars, consulting engagements, and disaster response services. Revenue for these engagements are recognised when the services are performed.

Sublease Income

The Company sublet a portion of its Parsippany office space but the sublet agreement was terminated on 31 December 2018.

1. **ACCOUNTING POLICIES (continued)**

Dividend distribution

Dividend distribution to the Company's shareholders is not recognised in the Group's financial statements until dividends are approved by the board and paid.

Changes to accounting standards

New and amended standards adopted by the group

IFRS 9: 'Financial Instruments' sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The standard replaces IAS 39 'Financial Instruments - Recognition and Measurement'. Note 30 details the impact that the adoption of IFRS 9 has had on the financial statements.

IFRS 15: 'Revenue from Contracts with Customers' deals with revenue recognition and establishes principles for reporting information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. Note 30 details the impact that the adoption of IFRS 15 has had on the financial statements.

New standards and interpretations not yet adopted

IFRS 16: 'Leases' defines a lease as contract that conveys the right to use an asset for a period of time in exchange for consideration. The standard is effective for annual periods beginning on or after 1 January 2019. The standard replaces IAS 17 where lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). In contrast, IFRS 16 requires lessees to recognise liabilities reflecting future lease payments and a 'right-of-use asset', effectively bringing all leases onto the balance sheet.

The adoption of IFRS 16 will materially increase assets and liabilities in the financial statements as the Group's operating leases, predominately for rented office space, are recognised. Applying IFRS 16 to the 2018 financial statements would increase assets and liabilities by around £11.3 million; the income statement would be affected to a lesser extent as operating lease expenses are replaced by depreciation and finance costs. Any changes in the income statement would be offset by the management charge, leaving profit and equity unaffected. The increase in liabilities will not breach any conditions in the Pool Members Agreement.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimated impairment of goodwill and investments in subsidiaries

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 1 above. The recoverable amount of a cash-generating unit (CGU) is determined based on cash flows of the underwriting pool. These calculations require the use of estimates of premiums written, loss ratios and the timing of cash flows (see Note 4).

Pension Benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group considers the interest rates of high quality corporate bonds denominated in the currency in which the benefits will be paid, and with terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 14.

Revenue Recognition

The Pool Members' Agreement describes the services to be provided by the Group as agent to the Pool Members in exchange for remuneration via management charge, management fee and profit commission. The Group provides these services as a single integrated product. For that reason, in the opinion of management, the services in the Pool Members' Agreement constitute a single performance obligation which is fulfilled each calendar year.

3. FINANCIAL RISKS

The financial instruments held by the Group and Company are as follows:

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Cash and cash equivalents	21,129	17,214	7,595	8,830
Trade and other receivables	7,754	7,018	4,396	4,034
Financial assets at fair value through profit or loss	306	325	-	-
Financial assets at fair value through other comprehensive income	14,120	14,052	-	-
Trade and other payables	17,650	10,255	6,557	7,765
Finance lease liabilities	100	51	100	51
Borrowings	50,420	50,420	50,420	50,420

The carrying amount of financial instruments approximates to their fair value.

The Group charges all expenses incurred in managing pool business and other entities directly to those pool members and other entities. Funds for those expenses are generally collected in advance and expenses charged are reduced by interest received on such funds held. Accordingly, with the exception of market risk, any risks giving rise to changes in the net expenses charged to pool members and other entities has no effect on the Group's profit or shareholders' equity.

3. FINANCIAL RISKS (continued)

The main risks arising from the use of financial instruments by the Group are credit risk, market risk (encompassing currency risk, interest rate risk and other price risk) and liquidity risk. The Group's exposure to these risks and how the exposure is managed is set out below:

3a. Credit risk

Credit risk arises on deposits with financial institutions and is managed by restricting such deposits to highly rated institutions only. Credit risk also arises on trade and other receivables as debtors could default on their obligation to pay monies due to the Group.

i) *Trade and Other Receivables Overdue*

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Under one month	207	193	187	174
Two to six months	147	255	59	158
Six months to one year	45	20	45	20
More than one year	-	16	-	16
	<u>399</u>	<u>484</u>	<u>291</u>	<u>368</u>

No expected credit losses have been recognised during the period in respect of trade receivables. Receivables due from pool members carry very low credit risk since any default would be recovered from forthcoming payables. When the historical default rate for each category of receivable is applied to the respective outstanding balances at the reporting date, the total expected credit losses are immaterial. The majority of aged receivables detailed above are leaders fees which routinely take longer than 60 days to recover but historically have a negligible default rate. Management monitors the leaders fee recoverability monthly and balances are written off only in the case of default. Other receivable categories with marginally higher default rates are written off when they are 12 months past due but they remain subject to enforcement activity until they default. Management considers receivables to be in default only when there is no reasonable possibility of recovery.

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Maximum exposure to credit risk	<u>3,207</u>	<u>3,057</u>	<u>883</u>	<u>998</u>

ii) *Debt Instruments at Fair Value through Other Comprehensive Income*

To measure expected credit losses, each of the underlying debt instruments are grouped by credit quality and the relevant Standard and Poors default rate is applied to the aggregate value of each group. Loss allowances are limited to 12 months of expected credit losses since there has been no significant increase in credit risk since initial recognition. The size of the loss allowance measured is trivial and therefore no impairment has been recognised in respect of financial assets held at fair value through other comprehensive income. Changes in credit risk are assessed annually by calculating the composite default rate of the assets held on the reporting date and comparing them to the composite default rate when the same assets were initially recognised.

3. FINANCIAL RISKS (continued)

3b) Market risk

Currency risk

The Group is exposed to currency risk on items that are denominated in a currency other than the respective functional currency of the Group entities. The risk arises primarily for the UK parent company as substantial amounts of the Group's income and receivables are US dollar denominated. As the Group's net income is expected to be distributed to shareholders by way of dividends, and as each shareholder's functional currency is different (and not sterling) these exposures are not hedged. Foreign currency income is sold at spot rates to fund the tax, interest and dividend cash flows which are denominated in sterling. The Group's sensitivity to changes in the USD:GBP rate of exchange is shown below.

The Group and Company had the following exposures to the US Dollar (based on notional amounts):

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Cash and cash equivalents	15,561	8,658	2,027	273
Trade and other receivables	8,698	9,152	5,340	6,168
Financial assets at fair value through profit or loss	306	325	-	-
Financial assets at fair value through other comprehensive income	14,120	14,052	-	-
Trade and other payables	(11,129)	(3,486)	(36)	(19)
	<u>27,557</u>	<u>28,701</u>	<u>7,331</u>	<u>6,422</u>

At 31 December 2018, £1 = US \$1.2769 (2017: US \$1.3528) and the average exchange rate during the year was £1 = US \$1.3350 (2017: US \$1.2888).

3. FINANCIAL RISKS (continued)

3b) Market risk (continued)

Movements in the value of financial instruments arising from movements in the value of the US dollar at 31 December would have had the following effects on profit after tax and equity:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Profit				
Increase of 10 %	(210)	(183)	(210)	(183)
Decrease of 10 %	257	224	257	224
Equity				
Increase of 10 %	(2,049)	(1,850)	(210)	(183)
Decrease of 10 %	2,505	2,261	257	224

Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Variable rate instruments				
Cash and cash equivalents	21,129	17,214	7,595	8,830
Financial assets at fair value through profit or loss	107	118	-	-
Financial assets at fair value through other comprehensive income	14,120	14,052	-	-
Borrowings	50,420	50,420	50,420	50,420

Short term interest rate risk primarily arises as the Company has loans from shareholders at a floating sterling interest rate. Interest payable on the loan is at a rate of two percent above the National Westminster Bank base rate. Part of this risk is offset by the interest-bearing cash balances the Group holds in the US and UK. However, to the extent that cash is held to cover expenses and post retirement obligations, the interest is treated as a credit to the management charge so changes in the interest rate will have no overall impact on profit as they will result in an increase or decrease in the management charge. During 2018, the UK base rate averaged 0.60% (2017: 0.29%); had it been 1% lower throughout the year and had no interest been paid on bank balances, the increase in profit after tax would have been £397,000 (2017: £404,000). Had the interest rate been 1% higher in 2018, the decrease in profit after tax would have been £397,000 (2017: £404,000).

Longer term interest rate risk arises on investments in bond funds. Investments are held to support various post retirement benefit plans and are limited to the liability associated with those plans. They are designated as fair value through other comprehensive income in order to avoid any accounting mismatch with the pension charge in the income statement. A one percent change in long term interest rates would have resulted in a movement of £1,797,000 (2017: £2,005,000) in valuation. There would have been no change in profit after tax as the management charge income would be adjusted to reflect the change in value.

3c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Funding for the Group's operating expenses is received from pool members in advance each quarter. Other significant cash out flows, mainly loan interest and tax, are expected to be covered by the management fee from the insurance pools and dividends from subsidiaries and are monitored via a cash flow forecast. Cash balances are monitored regularly, at least on a weekly basis.

3. FINANCIAL RISKS (continued)

3c) Liquidity risk (continued)

A maturity analysis for financial liabilities showing the remaining contractual maturities is shown below:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade and other payables				
Less than one year	15,320	6,640	5,427	6,648
1 to 2 years	928	2,323	447	639
2 to 5 years	823	689	527	281
More than 5 years	578	603	156	198
Borrowings				
Less than one year	-	-	-	-
1 to 2 years	50,420	50,420	50,420	50,420
Finance lease liabilities				
Less than one year	18	17	18	17
1 to 2 years	20	19	20	19
2 to 5 years	61	15	61	15

3d) Capital management

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern, to provide returns for shareholders, to maintain adequate capital to meet regulatory requirements in the UK and to maintain an efficient capital structure to ensure an optimal cost of capital. The Group's capital consists of equity and borrowings in the form of a loan from the shareholders. The agreement described above in Note 3c) substantially reduces the risk that notice from the shareholders to the Company to repay the loans would lead to insolvency of the Company. Because of the business model of the Group whereby the Group's expenses are reimbursed by the companies to which it provides services, the Group can normally distribute as dividends its comprehensive income for the year excluding currently translation difference.

The parent Company needs to maintain a minimum level of capital to meet FCA regulatory requirements. Compliance with these requirements is reviewed regularly including a formal board review of capital adequacy which includes stress and scenario testing. The Company has complied with the FCA requirements during the year.

3e) Fair value estimation

Effective 1 January 2013, the group adopted IFRS 13 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The financial instruments totalling £14,426,000 constitute £14,227,000 of bond fund investments and £199,000 of equity investments held by the group. In 2017 the financial instruments totalling £14,377,000 constituted £14,170,000 of bond fund investments and £207,000 of equity investments held by the group. These are valued at their net asset value and are all categorised as level 1.

4. INTANGIBLE ASSETS

A) Group	Goodwill £'000	Software £'000
At 1 January 2018		
Cost or valuation	93,640	10,723
Accumulated amortisation	<u>(28,978)</u>	<u>(9,562)</u>
Net book amount	<u>64,662</u>	<u>1,161</u>
Twelve months ended 31 December 2018		
Opening net amount at 1 January 2018	64,662	1,161
Exchange differences	3,844	59
Additions	-	696
Amortisation charge	<u>-</u>	<u>(738)</u>
Net book amount	<u>68,506</u>	<u>1,178</u>
At 31 December 2018		
Cost or valuation	99,206	10,857
Accumulated amortisation	<u>(30,700)</u>	<u>(9,679)</u>
Net book amount	<u>68,506</u>	<u>1,178</u>

Goodwill is allocated to the Group's CGUs identified according to the country of operation.

The recoverable amount of a CGU is determined based on returns of the underwriting pool managed by that CGU. These calculations use cash flow projections which extend forward to a terminal value. The cash flows are based on financial forecasts approved by management, covering a five year period, and are discounted to net present value using an after tax discount rate of 7.63%. They assume that premium income will increase over the next five years, that loss ratios will not be materially different from current trading and that investment income on funds generated will be 3.49% p.a. An alternative value in use model has also been used to support the recoverable amount which is based on the projected cash flows arising from the income streams of the agency, covering a five year period, and discounted to net present value using an after tax discount rate of 7.37%.

B) Company	Software £'000
At 1 January 2018	
Cost or valuation	2,495
Accumulated amortisation and impairment	<u>(2,328)</u>
Net book amount	<u>167</u>
Twelve months ended 31 December 2018	
Opening net amount at 1 January 2018	167
Additions	149
Amortisation charge	<u>(129)</u>
Net book amount	<u>187</u>
At 31 December 2018	
Cost or valuation	1,616
Accumulated amortisation and impairment	<u>(1,429)</u>
Net book amount	<u>187</u>

5. PROPERTY, PLANT AND EQUIPMENT

A) Group

	Computer Equipment £'000	Equipment £'000	Aircraft and Motor Vehicles £'000	Total £'000
At 1 January 2018				
Cost or valuation	1,840	6,684	400	8,924
Accumulated depreciation	(1,296)	(4,909)	(396)	(6,601)
Net book amount	<u>544</u>	<u>1,775</u>	<u>4</u>	<u>2,323</u>
Twelve months ended 31 December 2018				
Opening net amount at 1 January 2018	544	1,775	4	2,323
Exchange differences	19	72	-	91
Additions	140	148	-	288
Depreciation charge	(178)	(477)	(4)	(659)
Closing net book value at 31 December 2018	<u>525</u>	<u>1,518</u>	<u>-</u>	<u>2,043</u>
At 31 December 2018				
Cost or valuation	1,875	6,437	424	8,736
Accumulated depreciation	(1,350)	(4,919)	(424)	(6,693)
Net book amount	<u>525</u>	<u>1,518</u>	<u>-</u>	<u>2,043</u>

B) Company

	Computer Equipment £'000	Equipment £'000	Total £'000
At 1 January 2018			
Cost or valuation	1,106	1,828	2,934
Accumulated depreciation	(899)	(1,269)	(2,168)
Net book amount	<u>207</u>	<u>559</u>	<u>766</u>
Twelve months ended 31 December 2018			
Opening net amount at 1 January 2018	207	559	766
Additions	79	121	200
Depreciation charge	(76)	(142)	(218)
Closing net book value at 31 December 2018	<u>210</u>	<u>538</u>	<u>748</u>
At 31 December 2018			
Cost or valuation	1,118	1,458	2,576
Accumulated depreciation	(908)	(920)	(1,828)
Net book amount	<u>210</u>	<u>538</u>	<u>748</u>

Equipment includes the following amounts where the Group and Company is a lessee under a finance lease:

	2018 £'000	2017 £'000
Cost or valuation	115	85
Accumulated depreciation	(15)	(34)
Net book amount	<u>100</u>	<u>51</u>

The Group and Company leases certain equipment under a non-cancellable finance lease agreement. The lease term is 5 years, and ownership of the assets lies within the group.

6. INVESTMENT IN SUBSIDIARY

	2018 £'000	2017 £'000
At 1 January	91,706	91,706
Additions in the year	-	-
At 31 December	<u>91,706</u>	<u>91,706</u>

Details of Investments in Subsidiaries can be found in Note 27.

7. DEFERRED TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Deferred tax assets:				
Deferred tax asset to be recovered after more than 12 months	3,565	3,231	156	201
Deferred tax asset to be recovered within 12 months	858	900	-	-
	<u>4,423</u>	<u>4,131</u>	<u>156</u>	<u>201</u>
Deferred tax liabilities				
Deferred tax liability to be paid after more than 12 months	936	817	651	599
Deferred tax liability to be paid within 12 months	-	-	-	-
	<u>3,487</u>	<u>3,314</u>	<u>(495)</u>	<u>(398)</u>
 The gross movement on the deferred income tax account is as follows:				
At beginning of the year	3,314	8,574	(398)	(26)
Exchange differences	229	(539)	-	-
Income statement (charge)/credit	524	(3,945)	(134)	55
Adjustment in respect of prior years	(22)	(161)	(31)	(12)
Tax (charge)/credit relating to components of other comprehensive income	<u>(558)</u>	<u>(615)</u>	<u>68</u>	<u>(415)</u>
	<u>3,487</u>	<u>3,314</u>	<u>(495)</u>	<u>(398)</u>
 Disclosed in the balance sheet as:				
Deferred tax asset	4,110	3,712	-	-
Deferred tax liability	<u>(623)</u>	<u>(398)</u>	<u>(495)</u>	<u>(398)</u>
	<u>3,487</u>	<u>3,314</u>	<u>(495)</u>	<u>(398)</u>

7. DEFERRED TAX (continued)

The deferred tax balance is analysed below. All items are charged through the statement of comprehensive income.

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Fixed asset decelerated capital allowances	69	81	63	73
Employee remuneration liabilities	659	589	93	128
Other timing differences	333	445	-	-
Post retirement obligations	3,362	3,016	-	-
Total gross deferred tax asset	4,423	4,131	156	201
Fixed asset accelerated capital allowance	133	200	-	-
Pension asset	803	617	651	599
Total gross deferred tax liability	936	817	651	599
Deferred tax asset/(liability)	3,487	3,314	(495)	(398)

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
NON-CURRENT				
Receivable from contracts with customers				
Management services to pool members	1,079	1,312	665	503
Other				
Other receivables	155	138	98	107
	1,234	1,450	763	610
CURRENT				
Receivable from contracts with customers				
Management services to pool members	1,149	1,526	290	198
Other management services	4,029	3,784	1,433	1,388
Fireside disaster response	156	148	-	-
Other				
Amounts owed by subsidiaries	-	-	1,824	1,789
Other receivables	342	253	206	191
Prepayments	1,359	1,261	706	530
	7,035	6,972	4,459	4,096

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9. FINANCIAL ASSETS

	FVOCI £'000	FVPL £'000	Total £'000
At 1 Jan 2017	17,166	327	17,493
Investment income	648	-	648
Realised gain/(loss) on investments	422	-	422
Unrealised gain/(loss) on investments	634	48	682
Additions	-	17	17
Disposals	(3,414)	(37)	(3,451)
Exchange differences	(1,404)	(30)	(1,434)
At 31 Dec 2017	<u>14,052</u>	<u>325</u>	<u>14,377</u>
At 1 Jan 2018	14,052	325	14,377
Investment income	534	-	534
Realised gain/(loss) on investments	6	-	6
Unrealised gain/(loss) on investments	(1,095)	(14)	(1,109)
Additions	-	17	17
Disposals	(180)	(40)	(220)
Exchange differences	803	18	821
At 31 Dec 2018	<u>14,120</u>	<u>306</u>	<u>14,426</u>
Investments in bond funds	14,120	107	14,227
Investments in equity funds	-	199	199
At 31 Dec 2018	<u>14,120</u>	<u>306</u>	<u>14,426</u>

Assets held at fair value through other comprehensive income (FVOCI) are investments held in respect of post-employment medical scheme deficits and supplemental pension scheme liabilities.

Assets held at fair value through profit or loss (FVPL) are investments held in respect of US post-retirement liabilities. Management has made an irrevocable election to designate the US post-retirement liabilities as fair value through profit or loss in order to eliminate accounting mismatches. Accordingly, changes to the fair value of the investments have no impact on the statement of comprehensive income, since all such movements are eliminated by the equal and opposite movements in the fair value of the US post-retirement liabilities.

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cash at bank and in hand	10,428	6,227	3,067	3,387
Short-term bank deposits	10,701	10,987	4,528	5,443
	<u>21,129</u>	<u>17,214</u>	<u>7,595</u>	<u>8,830</u>

Cash and cash equivalents for the purposes of the cash flow statement are the same as those listed above.

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11. SHARE CAPITAL

	2018 £'000	2017 £'000
Authorised, allotted, called up and fully paid 25,000,000 (2017: 25,000,000) Ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>

12. CUMULATIVE TRANSLATION RESERVE

	2018 £'000	2017 £'000
At 1 January	4,384	11,791
Exchange adjustments	4,468	(7,407)
At 31 December	<u>8,852</u>	<u>4,384</u>

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
NON-CURRENT				
Accruals and deferred income	3,894	3,278	1,818	1,552
Financial liabilities at fair value through profit or loss	306	325	-	-
	<u>4,200</u>	<u>3,603</u>	<u>1,818</u>	<u>1,552</u>
CURRENT				
Amount due to subsidiaries	-	-	190	1,199
Other payables	8,599	1,979	1,719	2,183
Accruals and deferred income	5,622	6,329	3,529	3,130
	<u>14,221</u>	<u>8,308</u>	<u>5,438</u>	<u>6,512</u>

14. POST-RETIREMENT BENEFITS

The Group has a number of pension and post-retirement benefit schemes for its employees. Schemes are administered in accordance with local laws and practice. The principal schemes are the ones established in the UK and US, which together cover the vast majority of the employees in the Group.

The UK scheme provides defined contribution type pension benefits for employees. Previously the scheme also provided defined benefit pension benefits to certain employees but following a consultation process with affected members, defined benefit accrual ceased on 31st March 2018. The Trustee is required to equalise UK Guaranteed Minimum Pensions between men and women. The effect of this is estimated at £0.4m and this amount is included in the liabilities of the scheme at 31 December 2018.

In the US there is a defined contribution savings scheme for all employees. There is also a funded scheme of the defined benefit type with assets held in a separate trustee administered fund and a further defined benefit scheme (the US supplemental pension scheme) for which the company holds assets but not within a trust fund. Both these defined benefit schemes are closed to accrual. In 2015, annuities for all pensioner members of the US defined benefit scheme were purchased for £32,003,000. The purchase of these annuities was funded through the liquidation of scheme assets; a corresponding £31,557,000 reduction in scheme liabilities was realised as a result of the purchase.

In Canada, a smaller scheme is operated. The scheme has a defined benefit section and a defined contribution section which was introduced with effect from 1 January 2003. Employees joining the company on or after 1 May 2002 are eligible for membership of the defined contribution scheme, while employees who were members of the defined benefit scheme were able to elect to remain in that scheme or transfer their membership to the new scheme. During 2018, the remaining members of the defined benefit scheme still accruing benefits were advised that the company intended to close the scheme to further accrual effective 31 March 2020. The impact of this anticipated closure has been taken into account in determining the scheme's liabilities at 31 December 2018.

The Group provides defined benefit medical and dental post-retirement benefits to certain employees in the US. The cost and obligation is accrued and recognised over the period of relevant employee service. This scheme closed to new members with effect from 31 December 2002. Medical benefits under the scheme are provided through a fully insured Medicare supplement program for participants over the age of 65. Medical benefits for participants under the age of 65 are provided through the Company's primary medical insurance program. This obligation is supported through assets held in both a separate trust as well as assets held by the Company but outside of the trust. The trust was initially funded during 2017. The amount funded, was the maximum amount permissible under US tax regulations. The funds in the trust were invested in identical assets to those outside of the trust. With effect from January 1, 2019, the Company changed how medical benefits are provided to participants over the age of 65. Previously, the Company purchased a supplemental medical insurance policy for each eligible participant and the participant made a contribution to the Company for a portion of the insurance premium. For 2019, the Plan was changed, as the Company will now provide a set amount (stipend) every month to each eligible participant. Each participant will then select the medical insurance policy that is best suited for their particular circumstances. The amount of the Company's stipend will increase 5% per year.

14. POST-RETIREMENT BENEFITS (continued)

The amounts recognised in the balance sheet for retirement benefit obligations are determined as follows:

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Present value of funded pension obligation	86,502	95,443	71,941	79,139
Fair value of pension scheme assets	(91,540)	(97,670)	(75,772)	(82,662)
	(5,038)	(2,227)	(3,831)	(3,523)
Present value of unfunded pension obligation	2,305	2,388	-	-
Total deficit / (surplus) of defined benefit pension schemes	(2,733)	161	(3,831)	(3,523)
Present value of post-employment medical benefit obligation	9,948	15,024	-	-
Fair value of post-employment medical scheme assets	(3,322)	(3,702)	-	-
Total deficit of post-employment medical scheme	6,626	11,322	-	-
Retirement benefit obligation / (asset) in balance sheet	3,893	11,483	(3,831)	(3,523)
Retirement benefit asset in balance sheet	(5,038)	(3,593)	(3,831)	(3,523)
Retirement benefit obligation in balance sheet	8,931	15,076	-	-

14. POST-RETIREMENT BENEFITS (continued)

14.1 Defined benefit pension schemes

14.1a Analysis of movement in the net funded obligation

	Group			Company		
	Present value of obligation £'000	Fair value of scheme assets £'000	Total £'000	Present value of obligation £'000	Fair value of scheme assets £'000	Total £'000
At 1 January 2017	103,780	(103,950)	(170)	84,998	(86,546)	(1,548)
Current service cost	801	-	801	689	-	689
Past service cost and lump sum payments	(2,222)	2,669	447	-	-	-
Administration expenses	-	45	45	-	-	-
Interest expense/(income)	2,881	(2,874)	7	2,284	(2,334)	(50)
	<u>1,460</u>	<u>(160)</u>	<u>1,300</u>	<u>2,973</u>	<u>(2,334)</u>	<u>639</u>
Return on scheme assets excluding amounts included in interest expense	-	(4,242)	(4,242)	-	(3,124)	(3,124)
Actuarial (gain)/loss arising from:						
change in demographic assumptions	(1,463)	-	(1,463)	(1,651)	-	(1,651)
change in financial assumptions	3,837	-	3,837	2,821	-	2,821
Experience gains	(241)	-	(241)	(204)	-	(204)
	<u>2,133</u>	<u>(4,242)</u>	<u>(2,109)</u>	<u>966</u>	<u>(3,124)</u>	<u>(2,158)</u>
Exchange differences	(1,381)	1,254	(127)	-	-	-
Employer contributions	-	(1,121)	(1,121)	-	(456)	(456)
Benefits paid	(10,549)	10,549	-	(9,798)	9,798	-
At 31 December 2017	<u>95,443</u>	<u>(97,670)</u>	<u>(2,227)</u>	<u>79,139</u>	<u>(82,662)</u>	<u>(3,523)</u>
At 1 January 2018	95,443	(97,670)	(2,227)	79,139	(82,662)	(3,523)
Current service cost	224	-	224	145	-	145
Past service cost, curtailment and settlements	(2,127)	1,400	(727)	(624)	-	(624)
Administration expenses	-	58	58	-	-	-
Interest expense/(income)	2,471	(2,571)	(100)	1,925	(2,015)	(90)
	<u>568</u>	<u>(1,113)</u>	<u>(545)</u>	<u>1,446</u>	<u>(2,015)</u>	<u>(569)</u>
Return on scheme assets excluding amounts included in interest expense	-	5,683	5,683	-	4,672	4,672
Actuarial (gain)/loss arising from:						
change in demographic assumptions	574	-	574	1,161	-	1,161
change in financial assumptions	(4,391)	-	(4,392)	(3,527)	-	(3,527)
Experience gains	(1,914)	-	(1,914)	(1,946)	-	(1,946)
	<u>(5,731)</u>	<u>5,683</u>	<u>(48)</u>	<u>(4,312)</u>	<u>4,672</u>	<u>360</u>
Exchange differences	646	(651)	(5)	-	-	-
Employer contributions	-	(2,213)	(2,213)	-	(99)	(99)
Benefits paid	(4,424)	4,424	-	(4,332)	4,332	-
At 31 December 2018	<u>86,502</u>	<u>(91,540)</u>	<u>(5,038)</u>	<u>71,941</u>	<u>(75,772)</u>	<u>(3,831)</u>

14. POST-RETIREMENT BENEFITS (continued)

14.1 Defined benefit pension schemes (continued)

Assets/liabilities are held in respect
of the net benefit obligation as
follows:

	2018	2017
	£'000	£'000
Cash	637	753
Due to pool members	<u>(5,674)</u>	<u>(2,980)</u>
	<u><u>(5,038)</u></u>	<u><u>(2,227)</u></u>

14.1b Analysis of movement in the net unfunded obligation

	Group	
	Present	
	value of	
	obligation	
	£'000	
At 1 January 2017	2,579	
Interest expense	90	
	<u>90</u>	
Actuarial (gain)/loss arising from:		
change in demographic assumptions	(17)	
change in financial assumptions	105	
Experience losses	27	
	<u>115</u>	
Exchange differences	(225)	
Benefits paid	(171)	
At 31 December 2017	<u><u>2,388</u></u>	
At 1 January 2018	2,388	
Interest expense	78	
	<u>78</u>	
Actuarial (gain)/loss arising from:		
change in demographic assumptions	(6)	
change in financial assumptions	(146)	
Experience losses	23	
	<u>(129)</u>	
Exchange differences	133	
Benefits paid	(165)	
At 31 December 2018	<u><u>2,305</u></u>	
Assets/liabilities are held in respect		
of the net benefit obligation as		
follows:		
	2018	2017
	£'000	£'000
Investments at fair value through OCI	2,401	2,511
Due to pool members	<u>(96)</u>	<u>(123)</u>
	<u>2,305</u>	<u>2,388</u>

14. POST-RETIREMENT BENEFITS (continued)

14.2 Post-employment medical benefits

Analysis of the movement in the post-retirement medical obligation

	Group		
	Present value of obligation £'000	Fair value of plan assets £'000	Total £'000
At 1 January 2017	15,118	-	15,118
Current service cost	193	-	193
Interest expenses	574	-	574
	<u>767</u>	<u>-</u>	<u>767</u>
Return on scheme assets excluding amounts included in interest expense	-	(7)	(7)
Actuarial (gain)/loss arising from:			
change in demographic assumptions	(159)	-	(159)
change in financial assumptions	1,343	-	1,343
Experience gains	(159)	-	(159)
	<u>1,025</u>	<u>(7)</u>	<u>1,018</u>
Exchange differences	(1,369)	184	(1,185)
Employee contributions	170	(170)	-
Employer contributions	-	(4,396)	(4,396)
Benefits paid	(687)	687	-
At 31 December 2017	<u>15,024</u>	<u>(3,702)</u>	<u>11,322</u>
At 1 January 2018	15,024	(3,702)	11,322
Current service cost	154	-	154
Plan amendments	(2,921)	-	(2,921)
Administrative expenses	-	26	26
Interest expenses/(income)	456	(125)	331
	<u>(2,311)</u>	<u>(99)</u>	<u>(2,410)</u>
Return on scheme assets excluding amounts included in interest expense	-	290	290
Actuarial (gain)/loss arising from:			
change in demographic assumptions	(58)	-	(58)
change in financial assumptions	(819)	-	(819)
Experience gains	(2,041)	-	(2,041)
	<u>(2,918)</u>	<u>290</u>	<u>(2,628)</u>
Exchange differences	633	(194)	439
Employee contributions	179	(179)	-
Employer contributions	-	(97)	(97)
Benefits paid	(660)	660	-
At 31 December 2018	<u>9,948</u>	<u>(3,322)</u>	<u>6,626</u>

14. POST-RETIREMENT BENEFITS (continued)

14.3 Post-employment benefits (pension and medical)

Assets/liabilities are held in respect
of the net benefit obligation as
follows:

	2018	2017
	£'000	£'000
Investments at fair value through OCI	11,719	11,541
Due to pool members	(5,093)	(219)
	<u>6,626</u>	<u>11,322</u>

The significant actuarial assumptions used in determining pension and post-employment benefit obligations for the Group's schemes are shown below:

	2018			2017		
	UK	US	Canada	UK	US	Canada
Discount rate	2.9%	3.9%	4.0%	2.5%	3.4%	3.4%
Salary growth rate	3.4%	N/A	3.3%	3.3%	N/A	3.3%
Pension growth rate	3.4%	N/A	N/A	3.3%	N/A	N/A
Deferred pension growth rate	2.4%	N/A	N/A	2.3%	N/A	N/A

Average life expectancy for pensioners
aged 62, in years:

Male	25.4	24.9	24.6	25.3	24.9	24.5
Female	27.5	26.5	27.3	27.3	26.5	27.2

Mortality assumptions for 2018 in the UK are from the PCxA00 tables with the CMI 2017 projections and a long term rate of improvement of 1.00%; and for 2017 are from the PCxA00 tables with the CMI 2016 projections and a long term rate of improvement of 1.00%. Mortality assumptions in the US are from the RP 2014 Blue Collar Mortality Table (with White Collar adjustments) adjusted backward to 2006 with Scale MP-2014 and projected forward with Scale MP-2018; and Scale MP-2017 for 2017. Mortality assumptions for 2018 in Canada are from the 2014 CPM Private Sector Mortality Table with Improvement Scale MI-2017; and for 2017 are from the 2014 CPM Private Sector Mortality Table with Improvement Scale MI-2017.

14. POST-RETIREMENT BENEFITS (continued)

14.3 Post-employment benefits (pension and medical) (continued)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Group	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption £'000	Decrease in assumption £'000
Discount rate	+/-1%	Decrease by 14,056	Increase by 18,096
Pension growth rate	+/-1%	Increase by 10,460	Decrease by 8,659
Deferred pension growth rate	+/-1%	Increase by 2,519	Decrease by 2,894
Medical inflation	Trend +/-1%	Increase by 1,585	Decrease by 1,279
Life expectancy	+/-1 year	Increase by 2,076	Decrease by 2,226

Company	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption £'000	Decrease in assumption £'000
Discount rate	+/-1%	Decrease by 11,487	Increase by 14,997
Pension growth rate	+/-1%	Increase by 10,460	Decrease by 8,659
Deferred pension growth rate	+/-1%	Increase by 2,519	Decrease by 2,894
Life expectancy	+/-1 year	Increase by 3,103	Decrease by 3,144

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension obligation recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analyses did not change compared to the previous period.

Pension and medical scheme assets are comprised as follows:

Group	2018				2017			
	Quoted £'000	Unquoted £'000	Total £'000	%	Quoted £'000	Unquoted £'000	Total £'000	%
Equity instruments	8,482	-	8,482	8.9%	23,912	-	23,912	23.6%
Debt instruments	49,117	-	49,117	51.8%	45,488	-	45,488	44.9%
Annuities	-	35,624	35,624	37.6%	-	30,745	30,745	30.3%
Cash and cash equivalents	-	1,639	1,639	1.7%	-	1,227	1,227	1.2%
Total	<u>57,599</u>	<u>37,263</u>	<u>94,862</u>	<u>100.0%</u>	<u>69,400</u>	<u>31,972</u>	<u>101,372</u>	<u>100.0%</u>

Company	2018				2017			
	Quoted £'000	Unquoted £'000	Total £'000	%	Quoted £'000	Unquoted £'000	Total £'000	%
Equity instruments	5,794	-	5,794	7.6%	21,070	-	21,070	25.5%
Debt instruments	33,404	-	33,404	44.1%	30,239	-	30,239	36.6%
Annuities	-	35,624	35,624	47.0%	-	30,745	30,745	37.2%
Cash and cash equivalents	-	950	950	1.3%	-	608	608	0.7%
Total	<u>39,198</u>	<u>36,574</u>	<u>75,772</u>	<u>100.0%</u>	<u>51,309</u>	<u>31,353</u>	<u>82,662</u>	<u>100.0%</u>

14. POST-RETIREMENT BENEFITS (continued)

14.4 Risks

Through its defined benefit pension schemes and post-employment medical schemes, the Group is exposed to a number of risks, the most significant of which are detailed below:

14.4a) Asset Volatility

For the purposes of these financial statements the defined benefit scheme obligations are calculated using a discount rate set with reference to corporate bond yields; if scheme assets underperform this yield, ceteris paribus, scheme funding will deteriorate. A number of schemes hold a proportion of their investments in equities, which are expected to outperform bonds in the long-term while providing increased volatility and risk in the short-term. The UK scheme has a policy of purchasing annuities in respect of pensioner obligations when trustees consider it cost effective to do so.

The Group believes that due to the long-term nature of the scheme obligations and the strength of the supporting Group, a level of continuing equity investment is an appropriate element of the Group's long term strategy to manage the schemes cost effectively. See below for more details on the Group's asset-obligation matching strategy.

As the schemes mature, the Group is reducing the level of investment risk by investing more in assets that better match the obligations.

14.4b) Changes in bond yields

A decrease in bond yields will increase scheme obligations, although this will be partially offset by an increase in the value of the schemes' bond holdings.

14.4c) Inflation risk

The UK scheme's obligations are linked to inflation, and higher inflation will lead to higher obligations. The majority of the scheme's bond assets are index linked government bonds of long duration which will move broadly in line with the obligations as inflation expectations change. Equity investments are loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

The US pension payments are not linked to inflation, so this is not a relevant risk.

14.4d) Life expectancy

The majority of the schemes' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the schemes' obligations. This is particularly significant in the UK scheme, where inflationary increases to pensions result in higher sensitivity to changes in life expectancy.

14.4e) Insurer default risk

As a significant proportion of the UK scheme's assets are held in annuities, the scheme bears the risk of the insurance company defaulting on the payments, resulting in the scheme being forced to make additional pension payments.

14. POST-RETIREMENT BENEFITS (continued)

14.5 Asset matching and funding

14.5a) Asset matching

For the funded schemes, the Group ensures that a portion of the schemes' investments are invested in bonds of a broadly similar duration to and in the same currency as, the schemes' obligations. The Group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

A significant proportion of the UK scheme assets are held in annuity policies in respect of the majority of the current pensioner obligations in the scheme. The Scheme has historically bought annuities in respect of pensioner obligations and further purchases may be made in the future for new pensioners. Equities are invested in a globally diversified portfolio of international entities, generally via index tracking funds offered by leading international investment managers.

14.5b) Funding

The Group has established a practice with its pool members whereby pension deficits calculated under International Accounting Standards are charged to them and funded by them in the year following the year in which they arise. Such receipts are either paid into the appropriate scheme or held on the balance sheet. There are no plans to change this practice. The triennial valuation of the UK scheme reported a surplus on 1 January 2018. The next triennial valuation is due to be completed as at 1 January 2021.

Expected contributions to post-employment defined benefit schemes for the year ending 31 December 2019 are £75,835. At 31 December 2018, the expected contributions for the following year were £2,559,963.

The weighted average duration of the defined benefit obligation is 16.9 years (2017: 17.8 years).

15. PROVISIONS AND OTHER LIABILITIES

	Group		Company	
	2018	2017	2017	2017
	£'000	£'000	£'000	£'000
At 1 January	214	248	214	248
Additional provisions and increases to provisions	7	6	7	6
Unused amounts reversed	-	(40)	-	(40)
At 31 December	<u>221</u>	<u>214</u>	<u>221</u>	<u>214</u>

The provision for the Group and Company is the present value of the expected dilapidations cost of Fitzwilliam House, which the Company leases for its head office. On expiry of the lease the Company will be required to restore the occupied space to its original condition at its own expense.

16. BORROWINGS

	2018 £'000	2017 £'000
Group and Company		
NON-CURRENT		
Finance lease liabilities	82	34
Loan from shareholders	<u>50,420</u>	<u>50,420</u>
	<u>50,502</u>	<u>50,454</u>
CURRENT		
Finance lease liabilities	<u>18</u>	<u>17</u>

The loan from shareholders is repayable on 30 June 2022 or on 53 weeks' notice from the shareholders. Interest is charged on the loan at 2.00% above the NatWest base rate.

Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Gross finance lease liabilities – minimum lease payments:				
No later than 1 year	28	21	28	21
Later than 1 year and no later than 5 years	99	38	99	38
Later than 5 years	-	-	-	-
	<u>127</u>	<u>59</u>	<u>127</u>	<u>59</u>
Future finance charges on finance lease liabilities	<u>(27)</u>	<u>(8)</u>	<u>(27)</u>	<u>(8)</u>
Present value of finance lease liabilities	<u>100</u>	<u>51</u>	<u>100</u>	<u>51</u>

The present value of finance lease liabilities is as follows:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
No later than 1 year	18	17	18	17
Later than 1 year and no later than 5 years	82	34	82	34
Later than 5 years	-	-	-	-
	<u>100</u>	<u>51</u>	<u>100</u>	<u>51</u>

17. CONTRACT LIABILITIES

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
NON-CURRENT				
Other management services	<u>1,190</u>	<u>1,131</u>	<u>33</u>	<u>27</u>
	<u>1,190</u>	<u>1,131</u>	<u>33</u>	<u>27</u>
CURRENT				
Management services to pool members	2,447	2,276	1,025	985
Fireside disaster response	318	163	-	-
Other management services	<u>4,007</u>	<u>3,805</u>	<u>845</u>	<u>966</u>
	<u>6,772</u>	<u>6,244</u>	<u>1,870</u>	<u>1,951</u>

Non-current contract liabilities outstanding at 31 December 2018 are expected to be recognised as revenue within six years.

18. REVENUE

	2018	2017
	£'000s	£'000s
Revenue from services provided during the period		
Management services to pool members	39,330	46,122
Other management services	8,398	8,840
Fireside disaster response	1,072	944
Sublease income	221	403
Revenue from services provided in prior periods		
Management services to pool members	335	1,033
Other revenue		
Foreign exchange gain/(loss)	<u>361</u>	<u>(526)</u>
	<u>49,717</u>	<u>56,816</u>

19. ADMINISTRATIVE EXPENSES

	2018	2017
	£'000	£'000
Depreciation, amortisation and impairment charges	1,353	1,557
Employee benefit expense (see Note 19.2)	28,419	35,143
Operating lease rentals	2,690	2,740
Other expenses	11,832	11,924
	<u>44,294</u>	<u>51,364</u>
Classified as:		
Administrative expenses	<u>44,294</u>	<u>51,364</u>

19. ADMINISTRATIVE EXPENSES (continued)

19.1 Auditors' remuneration

During the year the Group (including overseas subsidiaries) obtained the following services from the Group's auditor at costs as detailed below:

	2018 £'000	2017 £'000
Audit services		
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements	97	81
Non-audit services		
Tax services	69	64
Other services not covered above	75	54
	<u>241</u>	<u>199</u>
 Fees in respect of the Global Aerospace pension scheme		
Audit	<u>18</u>	<u>19</u>

19.2 Employee benefit expenses

	2018 £'000	2017 £'000
Wages and salaries	26,413	28,059
Social security costs	2,438	2,579
Other pension costs – defined contribution plans	2,504	2,526
Other pension costs – defined benefit plans	(3,421)	1,209
Other post-employment benefits	485	770
	<u>28,419</u>	<u>35,143</u>

19.3 Employee numbers

	2018	2017
Average number of employees:		
UK	89	93
Canada	26	28
US (Global Aerospace Inc.)	160	167
US (Fireside Partners Inc.)	43	40
Switzerland	4	4
France	7	6
Germany	2	2
	<u>331</u>	<u>340</u>

20. OTHER GAINS/(LOSSES)

	2018 £'000	2017 £'000
Gain on disposal of financial assets at fair value through other comprehensive income	6	422
Gain/(loss) on disposal of property, plant and equipment	2	(2)
	<u>8</u>	<u>420</u>

21. FINANCE INCOME AND COSTS

	2018 £'000	2017 £'000
Finance income		
Other interest	693	742
	<u>693</u>	<u>742</u>

21. FINANCE INCOME AND COSTS (continued)

	2018 £'000	2017 £'000
Finance costs		
Shareholder loan interest	(1,313)	(1,155)
Finance lease interest	(6)	(6)
Other interest	(9)	(7)
	<u>(1,328)</u>	<u>(1,168)</u>

Finance income and costs are interest on financial instruments.

22. INCOME TAX EXPENSE

	2018 £'000	2017 £'000
Current tax:		
- on profit for the year	2,158	(764)
- adjustments in respect of prior years	24	(193)
Deferred tax (see Note 7)	(502)	4,106
	<u>1,680</u>	<u>3,149</u>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2018 £'000	2017 £'000
Profit before tax	4,796	5,446
Tax calculated at domestic tax rates applicable to profits in the respective countries	1,018	2,083
Expenses not deductible for tax purposes	30	48
Change in tax rates or regulations	543	1,027
Adjustments in respect of prior years	46	(32)
Excess foreign taxes	43	23
	<u>1,680</u>	<u>3,149</u>

The weighted average applicable tax rate was 21.27% (2017: 37.15%). The primary reason for the higher weighted average tax rate in 2017 was the deferred tax charge in the US resulting from the federal corporate tax rate reduction.

The tax charge/(credit) relating to components of other comprehensive income is as follows:

	Before tax £'000	2018 Tax charge/ (credit) £'000	After tax £'000
Re-measurement of defined benefit obligation	(2,806)	844	(1,962)
Gains/losses on financial assets measured at FVOCI	1,095	(286)	809
Currency translation difference	(4,468)	-	(4,468)
Other comprehensive expense/(income)	<u>(6,179)</u>	<u>558</u>	<u>(5,621)</u>
Current tax		-	
Deferred tax		558	
		<u>558</u>	

22. INCOME TAX EXPENSE (continued)

	Before tax £'000	2017 Tax charge/ (credit) £'000	After tax £'000
Re-measurement of defined benefit obligation	(966)	439	(527)
Gains/losses on financial assets measured at FVOCI	(634)	176	(458)
Currency translation difference	7,407	-	7,407
Other comprehensive expense/(income)	<u>5,807</u>	<u>615</u>	<u>6,422</u>
Current tax		-	
Deferred tax		615	
		<u>615</u>	

23. NET FOREIGN EXCHANGE GAINS/(LOSSES)

The exchange differences credited/(charged) to the statement of comprehensive income are included as follows:

	2018 £'000	2017 £'000
Revenue	361	(526)
Other Comprehensive Income	4,468	(7,407)
	<u>4,829</u>	<u>(7,933)</u>

24. DIVIDENDS PER SHARE

The interim dividends paid in 2018 and 2017 were £3,283,000 (13.13 pence per share) and £4,113,000 (16.45 pence per share) respectively. No final dividends were paid (2017: nil).

25a. CASH GENERATED FROM OPERATIONS – GROUP

	2018 £'000	2017 £'000
Profit before taxation	4,796	5,446
Adjustments for:		
Amortisation	738	806
Depreciation	659	703
Post-employment benefits	2,943	625
Finance income	(693)	(742)
Finance costs	1,328	1,168
Unrealised loss/(gain) on investments	14	(48)
Changes in working capital		
Trade and other receivables	3,335	2,476
Trade and other payables	(5,055)	(4,465)
Provisions	7	(34)
Cash generated from operations	<u>8,072</u>	<u>5,935</u>

25. CASH GENERATED FROM OPERATIONS (continued)

25b. CASH GENERATED FROM OPERATIONS – COMPANY

	2018 £'000	2017 £'000
Profit before taxation	4,140	1,709
Adjustments for:		
Amortisation	129	134
Depreciation	218	279
Post-employment benefits	(360)	2,158
Dividends receivable	(837)	(1,488)
Interest income	(54)	(25)
Interest expense	1,328	1,168
Changes in working capital		
Trade and other receivables	(824)	(1,331)
Trade and other payables	(938)	1,913
Provisions	7	(34)
Cash generated from operations	<u>2,809</u>	<u>4,483</u>

26. COMMITMENTS

26.1 Operating lease payables – Group company as lessee

The Group leases various offices under operating lease agreements. The leases have various terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Within one year	2,423	2,484	557	469
Within two to five years	7,302	7,723	2,944	2,460
After five years	3,049	3,581	2,370	3,051
	<u>12,774</u>	<u>13,788</u>	<u>5,871</u>	<u>5,980</u>

26.2 Operating lease receivables – Group company as lessor

The Group leased offices under operating lease agreements.

The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Within one year	-	199	-	-
Within two to five years	-	-	-	-
After five years	-	-	-	-
	<u>-</u>	<u>199</u>	<u>-</u>	<u>-</u>

There were no other commitments as at 31 December 2018 (2017: nil).

27. COMPANY INFORMATION AND PRINCIPAL SUBSIDIARIES

The Company is incorporated and domiciled in England, and is a company limited by shares.

The Company owns the entire share capital of GAUM Holdings Inc. (formerly Global Aerospace Underwriting Managers (USA) Inc.) registered in Delaware, USA and the US company owns the entire share capital of Global Aerospace, Inc. registered in Delaware, USA, which is the management company for the Group in the US. It also owns Fireside Partners, Inc. registered in Delaware, USA which was acquired in April 2015.

The Company owns the entire share capital of Global Aerospace Underwriting Managers (Canada) Limited (incorporated in Canada), which is the management company for the Group in Canada.

The Company owns the entire share capital of Global Aerospace Underwriting Managers (Europe) SAS which was incorporated in France on 25 July 2018. The company did not trade during 2018, it was established to ensure continuity of business in the European Union after Brexit. Refer to 'Impact of Brexit' in the Strategic Report above for further details.

The Company owns the entire share capital of British Aviation Insurance Group (Underwriting Services) Limited, British Aviation Insurance Group (Technical Services) Limited, BAIG Limited, Global Aerospace Underwriters Limited, Associated Aviation Underwriters Limited and Global Limited. All of these companies are registered in England and were dormant throughout the year.

All subsidiaries are included in the consolidated financial statements.

28. RELATED PARTY TRANSACTIONS

On 3 January 2018, Northern States Agency Inc. (NSA) sold 11% of the Company's shares to Munich Re, after which NSA held 49% of the Company's share capital and Munich Re 51%.

The Articles of Association provide that the voting rights between Shareholders remain equal after the sale of shares on 3 January 2018. In addition, resolutions at Directors' meetings will be decided by a majority of votes cast, with each Shareholder having an equal number of votes. Therefore there remains no ultimate controlling party of the Company.

The pool member National Indemnity Company is under common ownership with Northern States Agency, Inc.

Management fees, profit commission, and management charges were charged to these parties as follows:

	Management fees		Profit commission		Management charges	
	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
National Indemnity*	199	496	39	80	2,390	4,100
Munich Re	3,038	2,657	210	430	18,241	20,139

At year end the following balances were due to and from these parties:

	Amounts owed to related party		Amounts owed by related party		Shareholder loan	
	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
National Indemnity*	154	245	267	565	24,706	30,252
Munich Re	1,524	1,187	1,049	2,891	25,714	20,168

*includes other fellow companies under common ownership with the National Indemnity Company.

28. RELATED PARTY TRANSACTIONS (continued)

Interest is charged on the Shareholder loan at 2% above the NatWest base rate. The interest payable for 2018 was £1,313,000 (2017: £1,155,000).

In 2018 the Group purchased internal audit services from Resolute, a fellow group company of NSA, amounting to £36,400 (2017: £40,000). The Company also received management charge funding of £2,300 (2017: £2,600) from Tenecom Limited, a run-off pool member. In 2017 the Company charged Berkshire Hathaway International Insurance Ltd, a fellow group company of NSA, £6,000 in respect of branch management services provided; no corresponding charges were made in 2018.

In 2018 the Group paid Munich Re and the Munich American Reinsurance Company, a fellow group company of Munich Re, £140,800 (2017: £129,000) for leased office space in Paris and Atlanta; £2,000 of this payment was in respect of 2019. The lease agreements are non-cancellable up to 2021; accordingly the Group has a £393,600 (2017: £103,000) commitment to the Munich Re group included in Note 26 above. During 2018 the Company also paid Ellipse £68,000 (2017: £91,000) for staff life insurance cover. In 2017 £23,000 was prepaid in respect of the following financial year; there were no prepaid amounts in 2018. Ellipse is the UK trading name of ERGO Lebensversicherung Aktiengesellschaft which was a fellow group company of Munich Re until 17 December 2018.

At 31 December 2018 the parent Company had amounts due from subsidiaries of £1,824,000 (2017: £1,789,000) and due to subsidiaries of £190,000 (2017: £1,199,000).

Contributions paid into post-retirement benefit plans are given in Note 14.

Key management compensation

	2018 £'000	2017 £'000
Salary and other benefits	2,968	2,910
Bonus based on pool trading profits	<u>1,033</u>	<u>1,174</u>
Total	<u>4,001</u>	<u>4,084</u>

Directors' Remuneration

	2018		2017	
	Highest Paid Director £'000	Total Emoluments £'000	Highest Paid Director £'000	Total Emoluments £'000
Salary and other benefits	359	678	350	663
Bonus based on pool trading profits	346	486	368	497
Total	<u>705</u>	<u>1,164</u>	<u>718</u>	<u>1,160</u>

In the bonus paid on pool trading profits are amounts relating to profits of prior pool years.

No Company contributions were made into pension schemes for directors in 2017 or 2018.

At 31 December 2017, under a scheme available to all UK staff, Mr Tasker had an interest free dental insurance loan outstanding of £549. There was no balance outstanding at 31 December 2018. The maximum loan amount outstanding during 2018 was £549.

29. IFRS 9 TRANSITION DISCLOSURES

Changes to the classification of financial assets on 1 January 2018

	FVPL £'000s	FVOCI £'000s	Total £'000s
Opening balance - IAS 39	14,377	-	14,377
Reclassify listed debt from FVPL to FVOCI	<u>(14,052)</u>	<u>14,052</u>	<u>-</u>
Opening balance - IFRS 9	<u>325</u>	<u>14,052</u>	<u>14,377</u>

Bonds held in respect of US post-retirement scheme deficits were reclassified from fair value through profit or loss (FVPL) to fair value through other comprehensive income (FVOCI). The cash flows of these instruments are solely the payments of principal and interest. The Group's business model is to collect the bonds' contractual cash flows and sell them when liabilities fall due.

Financial assets reclassified from fair value through profit or loss to fair value through OCI

	£'000s
01 January 2018	14,052
Change in fair value recognised in OCI	-
Interest income recognised in profit or loss	<u>-</u>
31 December 2018	<u>14,052</u>

30. CHANGES TO ACCOUNTING POLICIES

The Group adopted IFRS 9 'Financial Instruments' on 1 January 2018. The objective of IFRS 9 is to effectively disclose the nature, risk and significance of the financial instruments to which the entity is exposed. The financial instruments managed by the group have been reclassified based on their cash flow characteristics and business function. Realised and unrealised gains or losses are presented separately in the statement of comprehensive income. Notes 9 and 13 have been augmented to accommodate additional financial instrument classifications, Note 20 has been introduced to disclose realised gains or losses and Note 3 provides further detail of the group's exposure to credit risk.

The Group adopted IFRS 15 'Revenue from Contracts with Customers' on 1 January 2018. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled. Where revenue has been recognised but the transfer of goods or services is only partially complete, a contract asset is recognised in the statement of financial position. Conversely, where consideration has been received in advance of goods or services being provided, a contract liability is recognised. Notes 17 and 18 have been introduced and Notes 1 and 8 have been augmented to better reflect the nature, amount, timing and uncertainty of revenue and cash flows arising from the group's contracts with customers.

30. CHANGES TO ACCOUNTING POLICIES (continued)

Impact of change in accounting policies on the consolidated balance sheet

	2017 as Previously Reported	Adoption of IFRS 15	2017 Restated
	£'000s	£'000s	£'000s
ASSETS			
Non-current assets			
Goodwill	64,662		64,662
Intangible assets	1,161		1,161
Property, plant and equipment	2,323		2,323
Deferred tax asset	3,712		3,712
Trade and other receivables	1,450		1,450
Financial assets	14,377		14,377
Retirement plan assets	3,593		3,593
	<u>91,278</u>		<u>91,278</u>
Current assets			
Trade and other receivables	6,972		6,972
Cash and cash equivalents	17,214		17,214
Current tax asset	3,587		3,587
	<u>27,773</u>		<u>27,773</u>
Total Assets	<u>119,051</u>		<u>119,051</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	25,000		25,000
Cumulative translation reserve	4,384		4,384
Retained earnings	4,222		4,222
Total Equity	<u>33,606</u>		<u>33,606</u>
Non-current liabilities			
Borrowings	50,454		50,454
Trade and other payables	3,603		3,603
Contract liabilities	-	1,131	1,131
Deferred tax liability	398		398
Retirement benefit obligations	15,076		15,076
Provisions and other liabilities	214		214
	<u>69,745</u>	1,131	<u>70,876</u>
Current liabilities			
Borrowings	17		17
Trade and other payables	15,683	(7,375)	8,308
Contract liabilities	-	6,244	6,244
	<u>15,700</u>	(1,131)	<u>14,569</u>
Total Liabilities	<u>85,445</u>		<u>85,445</u>
Total Equity and Liabilities	<u>119,051</u>		<u>119,051</u>

30. CHANGES TO ACCOUNTING POLICIES (continued)

Impact of change in accounting policies on the consolidated balance sheet

	2018	Adoption of IFRS 15	2018 Currently Reported
	£'000s	£'000s	£'000s
ASSETS			
Non-current assets			
Goodwill	68,506		68,506
Intangible assets	1,178		1,178
Property, plant and equipment	2,043		2,043
Deferred tax asset	4,110		4,110
Trade and other receivables	1,234		1,234
Financial assets	14,426		14,426
Retirement plan assets	5,038		5,038
	<u>96,535</u>		<u>96,535</u>
Current assets			
Trade and other receivables	7,035		7,035
Cash and cash equivalents	21,129		21,129
Current tax asset	1,039		1,039
	<u>29,203</u>		<u>29,203</u>
Total Assets	<u><u>125,738</u></u>		<u><u>125,738</u></u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	25,000		25,000
Cumulative translation reserve	8,852		8,852
Retained earnings	5,208		5,208
Total Equity	<u>39,060</u>		<u>39,060</u>
Non-current liabilities			
Borrowings	50,502		50,502
Trade and other payables	4,200		4,200
Contract liabilities	-	1,190	1,190
Deferred tax liability	623		623
Retirement benefit obligations	8,931		8,931
Provisions and other liabilities	221		221
	<u>64,477</u>	1,190	<u>65,667</u>
Current liabilities			
Borrowings	18		18
Trade and other payables	22,183	(7,962)	14,221
Contract liabilities	-	6,772	6,772
	<u>22,201</u>	(1,190)	<u>21,011</u>
Total Liabilities	<u>86,678</u>		<u>86,678</u>
Total Equity and Liabilities	<u><u>125,738</u></u>		<u><u>125,738</u></u>

30. CHANGES TO ACCOUNTING POLICIES (continued)

Impact of change in accounting policies on the parent company balance sheet

	2017 as Previously Reported	Adoption of IFRS 15	2017 Restated
	£'000s	£'000s	£'000s
ASSETS			
Non-current assets			
Intangible assets	167		167
Property, plant and equipment	766		766
Investment in subsidiaries	91,706		91,706
Trade and other receivables	610		610
Retirement plan assets	3,523		3,523
	<u>96,772</u>		<u>96,772</u>
Current assets			
Trade and other receivables	4,096		4,096
Cash and cash equivalents	8,830		8,830
Current tax asset	846		846
	<u>13,772</u>		<u>13,772</u>
Total Assets	<u><u>110,544</u></u>		<u><u>110,544</u></u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	25,000		25,000
Retained earnings	24,419		24,419
Total Equity	<u>49,419</u>		<u>49,419</u>
Non-current liabilities			
Borrowings	50,454		50,454
Trade and other payables	1,552		1,552
Contract liabilities	-	27	27
Deferred tax liability	398		398
Provisions and other liabilities	214		214
	<u>52,618</u>	27	<u>52,645</u>
Current liabilities			
Borrowings	17		17
Trade and other payables	8,490	(1,978)	6,512
Contract liabilities	-	1,951	1,951
	<u>8,507</u>	(27)	<u>8,480</u>
Total Liabilities	<u>61,125</u>		<u>61,125</u>
Total Equity and Liabilities	<u><u>110,544</u></u>		<u><u>110,544</u></u>

30. CHANGES TO ACCOUNTING POLICIES (continued)

Impact of change in accounting policies on the parent company balance sheet

	2018	Adoption of IFRS 15	2018 Currently Reported
	£'000s	£'000s	£'000s
ASSETS			
Non-current assets			
Intangible assets	187		187
Property, plant and equipment	748		748
Investment in subsidiaries	91,706		91,706
Trade and other receivables	763		763
Retirement plan assets	3,831		3,831
	<u>97,235</u>		<u>97,235</u>
Current assets			
Trade and other receivables	4,459		4,459
Cash and cash equivalents	7,595		7,595
Current tax asset	395		395
	<u>12,449</u>		<u>12,449</u>
Total Assets	<u>109,684</u>		<u>109,684</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	25,000		25,000
Retained earnings	24,284		24,284
Total Equity	<u>49,284</u>		<u>49,284</u>
Non-current liabilities			
Borrowings	50,502		50,502
Trade and other payables	1,818		1,818
Contract liabilities	-	33	33
Deferred tax liability	495		495
Provisions and other liabilities	221		221
	<u>53,036</u>	<u>33</u>	<u>53,069</u>
Current liabilities			
Borrowings	18		18
Trade and other payables	7,341	(1,903)	5,438
Contract liabilities	-	1,870	1,870
Current tax liability	5		5
	<u>7,364</u>	<u>(33)</u>	<u>7,331</u>
Total Liabilities	<u>60,400</u>		<u>60,400</u>
Total Equity and Liabilities	<u>109,684</u>		<u>109,684</u>

30. CHANGES TO ACCOUNTING POLICIES (continued)

Impact of change in accounting policies on the consolidated statement of comprehensive income

	2017 as Previously Reported £'000s	Adoption of IFRS 9 £'000s	2017 Restated £'000s
Revenue	56,816		56,816
Administrative expenses	(51,364)		(51,364)
Other gains/(losses)	-	420	420
Operating profit	5,452	420	5,872
Finance income	1,798	(1,056)	742
Finance costs	(1,170)	2	(1,168)
Profit before tax	6,080	(634)	5,446
Tax expense	(3,325)	176	(3,149)
Profit for the year	2,755	(458)	2,297

OTHER COMPREHENSIVE INCOME (NET OF TAX)

Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit obligation	527		527
Items that may be subsequently reclassified to profit or loss			
Gain/(losses) on financial assets measured at fair value through other comprehensive income	-	458	458
Total comprehensive income for the year before currency translation movements	3,282		3,282
Currency translation difference	(7,407)		(7,407)
Total comprehensive income for the year	(4,125)	-	(4,125)

30. CHANGES TO ACCOUNTING POLICIES (continued)

Impact of change in accounting policies on the consolidated statement of comprehensive income

	2018 £'000s	Adoption of IFRS 9 £'000s	2018 Currently Reported £'000s
Revenue	49,717		49,717
Administrative expenses	(44,294)		(44,294)
Other gains/(losses)	-	8	8
Operating profit	5,423	8	5,431
Finance income	701	(8)	693
Finance costs	(2,423)	1,095	(1,328)
Profit before tax	3,701	1,095	4,796
Tax expense	(1,394)	(286)	(1,680)
Profit for the year	<u>2,307</u>	<u>809</u>	<u>3,116</u>

OTHER COMPREHENSIVE INCOME (NET OF TAX)

Items that will not be reclassified to profit or loss

Remeasurement of defined benefit obligation	1,962		1,962
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Items that may be subsequently reclassified to profit or loss

Gain/(losses) on financial assets measured at fair value through other comprehensive income	-	(809)	(809)
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Total comprehensive income for the year before currency translation movements

4,269		4,269
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Currency translation difference

4,468		4,468
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Total comprehensive income for the year

<u>8,737</u>	<u>-</u>	<u>8,737</u>
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30. CHANGES TO ACCOUNTING POLICIES (continued)

Impact of change in accounting policies on the consolidated statement of changes in equity

	Share Capital £'000	Cumulative Translation Reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 January 2017	25,000	11,791	5,053	41,844
Profit for the year previously reported			2,755	2,755
Adoption of IFRS 9			(458)	(458)
Profit for the year restated			2,297	2,297
Other comprehensive income previously reported		(7,407)	527	(6,880)
Adoption of IFRS 9			458	458
Other comprehensive income restated		(7,407)	985	(6,422)
Transactions with owners				
Dividend paid			(4,113)	(4,113)
Balance at 31 December 2017	25,000	4,384	4,222	33,606
Balance at 1 January 2018	25,000	4,384	4,222	33,606
Profit for the year			2,307	2,307
Adoption of IFRS 9			809	809
Profit for the year currently reported			3,116	3,116
Other comprehensive income		4,468	1,962	6,430
Adoption of IFRS 9			(809)	(809)
Other comprehensive income currently reported		4,468	1,153	5,621
Transactions with owners				
Dividend paid			(3,283)	(3,283)
Balance at 31 December 2018	25,000	8,852	5,208	39,060