Cardif Pinnacle Insurance Management Services plc
Company Registration Number: 02729650

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 December 2018

Cardif Pinnacle Insurance Management Services plc

CONTENTS

Cardif Pinnacle Insurance Management Services plc

COMPANY INFORMATION

Directors:	G Binet P J Box * S L P Chevalet M Haderer M J Lorimer LLB (Hons) Solicitor N D Rochez * A M Wigg, FCA * Independent Non-Executive Director
Secretary:	M J Lorimer LLB (Hons) Solicitor
Registered Office:	Pinnacle House A1 Barnet Way Borehamwood Hertfordshire WD6 2XX
Independent Auditor:	Deloitte LLP 1 New Street Square London EC4A 3HQ
Principal Bankers:	Barclays Bank PLC 54 Lombard Street London EC3P 3AH

Cardif Pinnacle Insurance Management Services plc

STRATEGIC REPORT

The Directors present their strategic report for the year ended 31 December 2018.

Cardif Pinnacle Insurance Management Services plc ("the Company") was formed in 1992 to provide management services to companies within the Cardif Pinnacle Insurance Holdings plc group.

The Company is a subsidiary of Cardif Pinnacle Insurance Holdings plc ("the UK Parent"), a member of the BNP Paribas Cardif group, a worldwide provider of insurance and savings products. The Company is part of the global banking group BNP Paribas SA ("the Group"), a European leader in banking and financial services, with a Standard and Poor's long term rating of A (Stable outlook). The Group has one of the largest international banking networks, with a presence in 75 countries and employs more than 189,000 employees.

The Strategic Report ("the Report") has been prepared for the Company specifically and therefore places greater emphasis on the matters which are significant to the Company. It has been prepared solely to provide additional information to facilitate an assessment of how the Directors have performed their duty to promote success of the Company.

The Strategic Report has been prepared in accordance with section 414c of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

BUSINESS REVIEW

Profit before tax

The Company reported a profit before tax of £1,028k in 2018 (2017: of £1,181k). The results for the year are set out on page 10. The retained profit after taxation for the year was £869k (2017: £925k).

Key performance indicators

Key performance indicators (KPI's) are factors by reference to which the performance or position of the business of the Company can be measured effectively. The Company's key financial indicators during the year were as follows:

	2018	**2017 restated**
	£'000	**£'000**
Revenue	18,449	16,988
Profit before tax	1,028	1,181
Shareholder's funds	2,962	2,093

The Company's turnover represents cost incurred on behalf of fellow group companies including a mark-up on the costs incurred. The increase in the Company's turnover by 9% is mainly driven by cost increases from the development of a new policy management system and a data warehouse.

The increase in shareholder's funds is due to the retention of the profit after tax for the year £869k (2017: £1,181k as restated), offset by dividend payments of £nil (2017: £1.5m) to the Company's UK parent.

FUTURE DEVELOPMENTS

Future developments of the company depends on the growth and challenges faced by the entities it provides services to. The Board is focused on ensuring the operating model and cost base is operating for both the revenue levels and customers for these entities.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's activities expose the business to a number of key risks which have the potential to affect the Company's ability to achieve its business objectives. The Board is responsible for ensuring an appropriate structure for managing these risks is maintained. The key risks and risk mitigation framework are highlighted below:

Operational Risk

Operational risk is the risk of loss resulting from inadequate internal processes, human or system errors, or from external events. The Company seeks to mitigate this risk through continual enhancement of the systems and controls, and ensuring appropriately experienced personnel are in place throughout the organisation. Incident reporting and investigation procedures are well established.

Liquidity Risk

Liquidity risk is risk that sufficient financial resources are not available in cash to enable the Company to meet obligations as they fall due. The Company, through the Board, seeks to limit exposure to liquidity risk by negotiating settlement terms for its outflows that can be managed against its own working capital cycles. A sufficient cash buffer is maintained to mitigate unexpected cash calls.

Credit Risk

Credit risk refers to the risk that the Company debtors will default by failing to make required payments. The Company, through the Board, accepts only credit risk associated with other related parties from the BNP Paribas Group. In the context of the Company's service arrangements with its related parties, contractual terms regulate the collection of cash flows for the activities rendered. The timing of these cash flows is one of the factors the Company considers to manage the liquidity risk noted earlier.

Brexit uncertainty

The exact terms on which the UK will exit from the European Union (EU) and continue to trade with the remaining 27 countries are yet to be determined. The Company's business is in the UK and therefore it is not exposed to the European passporting rights risk. The risks and uncertainties associate with exiting from EU have been considered by the Directors and, while they continue to monitor the exit negotiations, they do not currently believe there will be a material adverse impact on the Company's results or financial position in the current or following financial year

GOING CONCERN

The Company is part of the global banking group BNP Paribas SA, a European leader in banking and financial services, and is supported by its strong parent with strong capital and cash flows. In addition, the Company has considerable financial resources in the form of cash of £1,956k and tangible assets in the form of land and property including recurring rental income from related group undertakings. As such the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

APPROVAL

This Report was approved by the Board of Directors on 28 June 2019 and signed on its behalf by:

A M Wigg
Director

Cardif Pinnacle Insurance Management Services plc

DIRECTORS' REPORT

The Directors present this report together with the Strategic Report and the audited financial statements of the Company for the year ended 31 December 2018.

The financial statements for the year have been prepared in accordance with International Financial Reporting Standards (IFRS).

BUSINESS REVIEW AND ACTIVITIES

The principal activities of the Company are set out on page 3. The information that fulfils the Companies Act requirements of the business review is included in the Strategic Report on pages 3 to 4 which also includes details of principal risks and uncertainties.

DIVIDENDS

The Company paid a dividend of £57k (2017: £57k) on the preference shares for the year. The Directors do not recommended the payment of an ordinary share dividend in the year (2017: £1.5m).

EVENTS SINCE THE END OF THE YEAR

There were no post balance sheet events to report at the date of approving these financial statements.

DIRECTORS AND THEIR INTERESTS

The Directors who held office throughout the year (unless stated otherwise) were

G Binet
P J Box *
S L P Chevalet
M Haderer
M J Lorimer LLB (Hons) Solicitor
N D Rochez *
A M Wigg, FCA (Managing Director)

* Independent Non-Executive Director

There are no Directors' interests in shares of the Company.

POLITICAL CONTRIBUTIONS

No political contributions were made during the year (2017: £nil).

DIRECTORS' REPORT (Continued)

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

EMPLOYEE INVOLVEMENT AND CONSULTATION

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings newsletters, and journals, which are regularly published on the Company's intranet. Employees' representatives are consulted regularly on a wide range of matters affecting their current and future interests.

INTERNAL AUDIT FUNCTION

The Company is part of the Group which has an independent internal audit function, which provides assurance to the Risk and Audit Committee and to the Board as to the effectiveness of Company's internal systems and controls, making recommendations and monitoring progress against those recommendations as appropriate.

INDEPENDENT AUDITOR

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

(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(b) the Director has taken all the steps that he ought to have taken as Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:

M J Lorimer
Company Secretary

28 June 2019

Cardif Pinnacle Insurance Management Services plc

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2018

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 such financial statements for each financial year. Under that law, the Directors are required to prepare the Company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Article 4 of the International Accounting Standard ("IAS") regulation. They have also chosen to prepare the Company financial statements under IFRSs, as adopted by the EU. 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 Company's state of affairs and profit or loss for that period.

In preparing the Company financial statements, the directors are required to:

- select suitable accounting policies and they apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- assess the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclosing, with reasonable accuracy, the Company's financial position at any time, and to enable them to ensure the financial statements comply with the Companies Act 2006. Additionally, they are responsible for safeguarding the Company's assets and hence for taking reasonable steps to prevent and detect fraud and other irregularities. The Directors are responsible for maintaining and ensuring the integrity of the corporate and financial information. Legislation in the UK governing preparing and disseminating financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Strategic report (on pages 3 to 4) and Directors' report (on pages 5 to 6) include a fair view of the development and performance of the business, and the Company's position as a whole, together with a description of the principal risks and uncertainties they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholder to assess the Company's performance.

This responsibilities statement was approved by the Board of Directors on 28 June 2019 and is signed on its behalf by:

Director
A M Wigg

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Cardif Pinnacle Insurance Management Services plc (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

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 Financial Reporting Council's (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.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual 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 respect of these matters.

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

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

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

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

Report on other legal and regulatory requirements

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our 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.

Jamie Weisfeld ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
26 June 2019

Cardif Pinnacle Insurance Management Services plc
Company Registered Number: 02729650

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £'000	2017 Restated £'000
Continuing operations			
Revenue from contracts with customers	5	18,449	16,988
Administrative expenses		(17,356)	(15,746)
Operating profit	7	**1,093**	**1,242**
Finance costs	8	(65)	(61)
Profit before tax		**1,028**	**1,181**
Income tax	9	(159)	(256)
Profit for the year		**869**	**925**
Attributable to:			
Owner of the Company		869	925

A statement of other comprehensive income (SOCI) or loss is not presented as there were no items requiring classification to the SOCI during the year and prior year. Hence, profit represents total comprehensive income for the year attributable to the owner of the Company.

The notes on pages 15 to 41 form an integral part of these financial statements.

Cardif Pinnacle Insurance Management Services plc
Company Registered Number: 02729650

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018

	Note	2018 £'000	2017 Restated £'000	2016 Restated £'000
Non-current assets				
Intangible assets	10	3,704	1,879	1,013
Property, plant and equipment	11	3,292	3,606	3,640
Deferred tax asset	12	718	749	779
		7,714	6,234	5,432
Current assets				
Trade and other receivables	14	3,308	1,942	4,100
Contract assets	14(a)	48	41	53
Cash and cash equivalents	13	1,956	1,543	916
		5,312	3,526	5,069
Total assets		**13,026**	**9,760**	**10,501**
Current liabilities				
Trade and other payables	15	6,684	3,931	4,387
Contract liabilities	5(b)	695	801	709
Current tax liabilities		185	435	237
		7,564	5,167	5,333
Non-current liabilities				
Loans and borrowings	16	2,500	2,500	2,500
Total liabilities		**10,064**	**7,667**	**7,833**
Equity				
Issued capital	18	250	250	250
Retained earnings		2,712	1,843	2,418
Total equity		**2,962**	**2,093**	**2,668**
Total equity and liabilities		**13,026**	**9,760**	**10,501**

The financial statements were approved and authorised for issue on 28 June 2019 by the Board of Directors and are signed on its behalf by:

Signed on behalf of the Board by:

Director
A M Wigg

The notes on pages 15 to 41 form an integral part of these financial statements.

Cardif Pinnacle Insurance Management Services plc
Company Registered Number: 02729650

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital £'000	Retained earnings £'000	Total £'000
1 January 2017 (as previously stated)	250	2,465	2,715
Effect of change in accounting policy for revenue (See note 4)		(47)	(47)
At 1 January 2017 (As restated)	250	2,418	2,668
Profit for the year (As restated*)	-	925	925
Dividends	-	(1,500)	(1,500)
At 31 December 2017 (As restated)	250	1,843	2,093
Profit for the year	-	869	869
Dividend	-	-	-
At 31 December 2018	250	2,712	2,962

*Effect of IFRS15 adoption for the statement of financial position 4(b).

The notes on pages 15 to 41 form an integral part of these financial statements.

Cardif Pinnacle Insurance Management Services plc
Company Registered Number: 02729650

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £'000	2017 Restated £'000
Net profit for the year before tax		**1,028**	**1,181**
Adjustments for:			
Amortisation	10	486	544
Depreciation	11	412	554
(Loss)/Profit on sale of assets		-	(12)
Cash generated from operating activities before movements in working capital		1,926	2,267
Change in Trade and other receivables	14	(1,373)	2,170
Change in Trade and other payables	15	2,608	(3116)
Tax paid		(280)	(276)
Cash generated from operating activities		**2,881**	**4,045**
Purchase of fixed assets		(2,410)	(1,950)
Proceeds from sale of fixed assets		-	32
Net cash flows used in investing activities		**(2,410)**	**(1,918)**
Dividends paid		(57)	(1,557)
Net cash used in financing activities		**(57)**	**(1,557)**
Net increase in cash and cash equivalents		**414**	**627**
Cash and cash equivalents at 1 January	13	1,543	916
Cash and cash equivalents at 31 December	13	**1,957**	**1,543**

The notes on pages 15 to 41 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. General information

The Company is incorporated and domiciled in the United Kingdom and registered in England and Wales. The Company's registered office address is Pinnacle House, A1 Barnet Way, Borehamwood, and Hertfordshire, WD6 2XX.

2. Functional and presentation currency

The financial statements are presented in pounds sterling, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

3. Adoption of new and revised standards

New and amended IFRS standards that are effective for the current year

The Company has adopted the following new standards and amendments to IFRSs and ISAs that became mandatorily effective for the Company for the first time during 2018.

IFRS 9 "Financial Instruments"

The Company has adopted IFRS 9 "Financial Instruments" and the related consequential amendments to other standards for the first time in the current year. IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement', introducing new guidance on the classification and measurement of financial assets, an expected credit loss impairment model, and new hedge accounting requirements.

The Company completed an impact assessment on transition to IFRS 9, including an assessment of its financial assets under the new impairment model, and concluded there was no impact on the Company's equity at 1 January 2018.

The Company assessed which business models apply to the financial assets held by the Company and classified its financial instruments into the appropriate IFRS 9 categories. Financial assets previously classified as loans and receivables were reclassified as financial assets held at amortised cost. There was no impact on the measurement bases of financial assets and as a result no restatement or opening balance reconciliation on transition to IFRS 9 has been presented.

There were no changes to the classification or measurement of financial liabilities

IFRS 15 "Revenue from contracts with customers"

The Company has adopted IFRS 15 "Revenue from Contracts with Customers" issued in May 2014 for the first time in the current year.

IFRS 15 supersedes a number of standards and interpretations on revenue recognition (in particular IAS 18 Revenue and IAS 11 Construction Contracts). The standard does not apply to revenues from lease contracts, insurance contracts or financial instruments.

IFRS 15 introduces the following 5-step approach to revenue recognition:

Step 1: Identify the contract with a customer;
Step 2: Identify the performance obligations in the contract;

3. Adoption of new and revised standards (continued)

IFRS 15 Revenue from contracts with customers (continued)

Step 3: Determine the transaction price;
Step 4: Allocate the transaction price to the performance obligations in the contract; and
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Company adopted the standard on a fully retrospective basis, in accordance with IFRS15.C3(a) without using the practical expedients for completed contracts in IFRS 15.C5(a) and (b).

The amount of adjustment for each financial statement line item affected by the application of IFRS 15 has been disclosed in note 4.

New and revised IFRS standards in issue but not yet effective

IFRS 16 "Leases"

IFRS 16 Leases, issued in January 2017, will supersede IAS 17 Leases and the interpretations relating to the accounting of such contracts. The new definition of leases relies on both the identification of an asset and the right to control the identified asset by the lessee.

From the lessor's point of view, the expected impact should be limited, as the requirements of IFRS 16 remain substantially unchanged from the current IAS 17. For the lessee, IFRS 16 will require recognition in the balance sheet of all leases, in the form of a right of-use on the leased asset presented under fixed assets, along with the recognition of a financial liability for the rent and other payments to be made over the leasing period. The right-of-use assets will be amortised on a straight-line basis and the financial liabilities will be amortised on an actuarial basis over the lease period. Under IAS 17, operating leases require no recognition in the balance sheet.

IFRS 16 will become mandatory for annual periods beginning on or after 1 January 2019. The Company has analysed the impact of the standard and established that it has not entered into any contractual agreement which meets the definition of lease as defined by IFRS 16. Therefore, the Directors consider the Standard will have no impact on the Company's financial results.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.

4. Significant accounting policies

a) Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Company's financial statements comply with Article 4 of the European Union International Accounting Standards (IAS) Regulation.

The Company is exempt by virtue of IAS 27 paragraph 10 from the requirements to prepare consolidated financial statements, since it is included within the group accounts of Cardif Pinnacle Insurance Holdings plc. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

b) Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the strategic report on page 4.

c) Revenue recognition

The accounting policies for the group's main types of revenue are explained in note 5.

This primarily represents fees charged to fellow UK subsidiary undertakings for the provision of management services. It also covers admin fees charged to external contract customers for services provided.
Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties, such as VAT.
Revenue is recognized either at a point in time or over time based on the nature of the services provided by the Company.
Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

d) Taxation

Income tax is recognised in the Income Statement except where it relates to items which are recognised directly in equity, in which case the associated income tax charge or credit is recognised in equity. Current tax is the expected tax payable on the income for the year, using tax rates enacted or substantively enacted on the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, which recognises temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. It is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

4. Significant accounting policies (continued)

e) Pension costs

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit or loss in the period to which they relate.

f) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where an item of property, plant and equipment comprise major components having different useful lives, they are accounted for separately.

Depreciation is charged to income statement on a straight-line basis so as to write off the depreciable amount of property, plant and equipment over their estimated useful lives. The depreciable amount is the cost of an asset less its residual value. Land is not depreciated. Estimated useful lives are as follows:

Freehold building	2% per annum
Fixture and fittings	20% per annum
Vehicles	25% per annum
Computer equipment	20% to 33⅓% per annum

The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the disposal proceeds, if any, and the carrying amount of the item.

g) Intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement over the assets' economic benefits and is included in operating expenses. The estimated useful economic life of the intangible asset is as follows:

Computer software	5 years

Direct costs relating to the development of internal-use computer software and associated business processes are capitalised once technical feasibility and economic viability have been established. These costs include staff costs, the costs of material and services, directly attributable overheads. Capitalisation of costs ceases when the software is capable of operating as intended. During and after development, accumulated costs are reviewed for impairment against the projected benefits that the software is expected to generate. Costs incurred prior to the establishment of technical feasibility and economic viability are expensed as incurred, as are all training costs and general overheads.

4. Significant accounting policies (continued)

h) Impairment of intangible assets, property, plant and equipment
At each reporting date, the Company assesses whether there is any indication that its intangible assets or property, plant and equipment are impaired. If any such indication exists, the Company estimates the recoverable amount of the asset and the impairment loss.

If the recoverable amount of an intangible or tangible asset is less than its carrying value, an impairment loss is recognised immediately in the income statement and the carrying value of the asset is reduced by the impairment of future cash flows.

A reversal of an impairment loss on intangible assets or property, plant and equipment is recognised as it arises provided the increased carrying value does not exceed the carrying amount that would have been determined had no impairment loss has been recognised.

(i) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

Financial assets are classified on initial recognition and subsequently measured as held at amortised cost. The classification of financial assets at initial recognition depends on the financial assets contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus transaction costs. On recognition of the financial asset an expected credit loss allowance assessment is conducted. A financial asset is written off when there is no reasonable expectation of recovery.

Amortised cost

Assets which are held to collect contractual cash flows, and with contractual terms which give rise to cash flows which are solely payments of principal and interest on the principal amount outstanding, are classified as financial assets held at amortised cost. They are subsequently measured using the effective interest rate method where applicable and are subject to impairment. Gains or losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

4. Significant accounting policies (continued)
i) Financial instruments(continued)

Impairment of financial assets

At each balance sheet date the Company assesses, on a forward looking basis, whether there is objective evidence that an impairment loss on a financial asset or group of financial assets classified as held at amortised cost is expected. The Company measures the amount of the loss as the difference between the carrying amount of the asset or group of assets including an allowance for expected losses at initial recognition, and the present value of estimate future cash flows from the asset or group of assets, discounted at the effective interest rate of the instrument at initial recognition. The expected loss allowance for financial assets is based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the credit quality and history of the financial asset or group of financial assets, as well existing market conditions and forward-looking expectations.

The Company applies the simplified impairment approach to its trade receivables, grouping receivables into categories with shared credit risk characteristics and estimating expected future loss rates based on historical experience.

Impairment losses, including the expected credit allowance, are recognised in the income statement and the carrying amount of the financial asset or group of financial assets is reduced by establishing an allowance for the impairment losses. If in a subsequent period the amount of the expected impairment allowance reduces and this can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance.

Derecognition of financial assets

A financial asset is derecognised when the rights to receive the cash flows from that asset have expired or when the Company has transferred its rights to receive cash flows from the asset and has transferred substantially all the risk and rewards of ownership of the asset.

Cash and cash equivalents

Cash and cash equivalents comprises cash in hand and demand deposits with banks together with short-term highly liquid investments, such as money market funds, that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

Financial liabilities

Financial liabilities are initially recognised at fair value net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method. A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires.

Borrowings
Borrowings are initially measured at fair value, net of transaction costs incurred. They are subsequently measured at amortised cost using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

4. Significant accounting policies (continued)

j) critical accounting judgements and key sources of estimation uncertainty

Sources of estimation uncertainty

Revenue recognition

The Company's revenue comprises amounts received for the provision of management services to fellow UK subsidiary undertakings, which is based on cost incurred on behalf of other entities plus mark up of 12.5%, and other services provided to external parties. When determining the point of revenue recognition, management estimate the amount of services performed in the year and recognize either a contract asset or contract liability accordingly.

Significant judgments

Useful Lives of PPE

The Directors apply their judgment in respect of useful lives of intangibles assets. Property, Plant and Equipment. The useful lives including the applicable rates are as disclosed in note 4(f) and 4(g).

Recognition of Deferred Tax

The Company recognises deferred tax assets on temporary differences between assets and liabilities for financial reporting and the amounts used for tax purposes to the extent it is probable that taxable profits will be available against which the temporary difference can be utilized. The Directors apply judgement when determining probable future taxable profits, which are estimated using the latest available profit forecasts. See also accounting policy as disclosed in note 4(d).

4. Significant accounting policies (continued)

4(a) . Transitional Considerations on the First-time Adoption of IFRS15

As indicated in note 3(a) above, the Company has adopted IFRS 15 as issued in May 2014, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

The impact of IFRS 15 on the Company's sources of revenue is as follows:

(i) Accounting for Proficiency Solutions license fees.

The Proficiency Solutions platform provides business professional learning modules, design, and services. Revenue from providing website e-learning is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual license cover period. There is also simple installation, which does not include an integration service and could be taken as one off development. It is therefore recognised in the period it is performed. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expect cost plus margin.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognised. If the payments exceed the license services period rendered, a contract liability is recognised. If the contract includes an hourly fee, revenue is recognised in the amount to which the Company has a right to invoice. Customers are invoiced on an annual basis and consideration is payable when invoiced.

(ii) Accounting for administration fees revenue in relation to activities undertaken on behalf of customers

The administration fee relates to the collection of premiums and claims management on behalf of customers. This includes monitoring cash positions in the respective bank accounts.

The fee is based on premiums collected and is recognised in the period the service was carried out.

(iii) Accounting for introducer commission revenue

The commission relates to the introduction of customers to a 3rd party underwriter of gadget insurance.

The commission is recognised once the insurance policy has cover has commenced.

4. Significant accounting policies (continued)

4(a) . Transitional Considerations on the First-time Adoption of IFRS15

(iv) Accounting for management fees from group undertakings

The management fees from Group undertakings relates to charges to fellow UK subsidiary undertakings for the provision of management services including a mark-up where appropriate.

The management fees is recognised over time based on the nature of the services provided by the Company

Impact on profit loss for year

	31-Dec-17 £'000
Revenue	
(Decrease) due to change in the timing of recognition for Proficiency Solution licence fees	(53)
(Decrease) in income tax expense	10
(Decrease) in profit for the year	(43)

Impact on the presentation of assets, liabilities and equity

The Company has changed the presentation of certain amounts in the balance sheet to reflect the terminology of IFRS 15:

Contract assets:

Contract assets represent the Company's right to consideration in exchange for services that the Company has transferred to the customer when that consideration is variable in that it is conditional on something other than the passage of time. A contract asset is reclassified to trade and other receivables when it is no longer conditional or is conditional other than the passage of time.

- Contract assets recognised in relation to proficiency Solution license fees were previously presented as part of trade and other receivables (£40k as at 1 January 2017 and £31k at 31 December 2017).
- Contract assets recognised in relation to Administration fees were previously presented as part of trade and other receivables (£27k as at 1 January 2017 and £32k at 31 December 2017).

4. Significant accounting policies (continued)

4(a). Transitional Considerations on the First-time Adoption of IFRS15

Impact on the presentation of assets, liabilities and equity

Contract assets:

	31-Dec-18 £'000	31-Dec-17 £'000	01-Jan-17 £'000
Contract assets relating to Administration fees	34	10	13
Contract assets relating to Proficiency Solution licence fees	14	31	40
Total contract assets	48	41	53

Contract liabilities

Contract liabilities represent the Company's obligation to transfer services to a customer for which the Company has received the consideration (or the amount is due) from the customer. This includes deferred revenue related to post-placement performance obligations and other deferred income (e.g. advances from customers for policies not yet incepted). Amounts of deferred income that were previously presented under trade and other payables have been reclassified to contract liabilities on transition to IFRS 15.

- Contract liabilities in relation to Administration fees on third parties liabilities contracts were previously included in trade and other payables (£662K as at 1 January 2017 and £700K at 31 December 2017).

- Contract liabilities in relation to relation to proficiency Solution license fees is in respect of deferred income.

	31-Dec-18 £'000	31-Dec-17 £'000	01-Jan-17 £'000
Contract liability-third party liability for customers	640	700	662
Contract liability- Proficiency Solution licence fees	55	101	47
Total contract liabilities	695	801	709

4 Significant accounting policies (continued)
4(b) . Effect of IFRS15 adoption for the statement of financial position

Impact on the presentation of assets, liabilities and equity

Impact on assets, liabilities and equity as at 1 January 2017:

	Note	As previously reported £'000	IFRS15 adjustments £'000	As restated £'000
Trade and other receivables		4,153	(53)	4,101
Contract assets(current)	(iv)	-	53	53
Trade and other payables		5,049	(662)	4,387
Contract liabilities	(iv)	-	709	709
Current tax liabilities		237	-	237
Total effect on net assets			47	
Retained earnings			47	
Total effect on equity			47	

Impact on assets, liabilities and equity as at 31 December 2017

	Note	As previously reported £'000	IFRS15 adjustments £'000	As restated £'000
Trade and other receivables		1,983	(41)	1,942
Contract assets (current)	(ii)(iii)	-	41	41
Trade and other payables		4,631	(700)	3,931
Contract liabilities(current)	(iv)	-	801	801
Current tax liabilities		445	(10)	435
Total effect on net assets			91	
Retained earnings			91	
Total effect on equity			91	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

5. Revenue from contracts with customers

The company has recognised the following amounts relating to revenue in the statement of profit or loss:

Disaggregation of revenue from contract with customers

The company derives revenue from the following major product lines and segment:

2018	Administration fees £'000	Claims investigation fees £'000	Proficiency Solution licence fees £'000	Commission £'000	Total £'000
Revenue from external customers	441	-	197	147	785
Inter group-revenue	17,581	42	-	41	17,664
	18,022	42	197	188	18,449
Recognised at a point in time	-	42	-	188	230
Recognised over time	18,022	-	197	-	18,219
	18,022	42	197	188	18,449

2017	Administration fees £'000	Claims investigation fees £'000	Proficiency Solution licence fees £'000	Commission £'000	Total £'000
Revenue from external customers	507	-	121	166	795
Inter group-revenue	16,039	100	-	55	16,194
	16,546	100	121	221	16,988
Recognised at a point in time	-	100	-	221	321
Recognised over time	16,546	-	121	-	16,667
	16,546	100	121	221	16,988

5. Revenue from contracts with customers (continued)

Contract assets and liabilities

The Company has recognized the following revenue-related contract assets and liabilities

	2018 £'000	2017 £'000
Contract assets	48	41
Contract liabilities	695	801

(i) Significant changes in contract assets and liabilities

Contract assets have decreased as the Company has provided fewer services ahead of the agreed payment schedules for fixed-price contracts. There was also an impairment write-down of £13k recognised in relation to the asset for costs to fulfil contracts.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

	31-Dec-18 £'000	31-Dec-17 Restated £'000
Revenue recognised in relation to contract liabilities		
Balance at the beginning of period	55	101
Proficiency Solution licence fees		
Revenue recognised from performance obligations satisfied in previous periods	101	47

6. Staff costs

Employment costs	**2018 £'000**	**2017 £'000**
Wages and salaries	9,117	8,548
Social security costs	1,016	988
Other pension costs (note 21)	913	890
	11,046	10,426

The average monthly number of employees during the year was as follows:

	2018 Number	**2017 Number**
Sales	6	5
Administration	174	183
	180	188

Directors' remuneration

	2018 £'000	**2017 £'000**
Emoluments	113	114
Pension contributions	7	5
	120	119

Emoluments of highest paid Director	40	44
Pension contributions of highest paid Director	2	3
	42	47

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

7. Operating profit

The operating profit is stated before charging or (crediting):

	2018 £'000	2017 £'000
Amortisation of intangibles	412	544
Depreciation - owned assets	486	554
Profit/(Loss) on disposal of fixed assets	-	(12)
Auditor's remuneration for the audit of the company's annual accounts	39	38

8. Interest payable and similar charges

	2018 £'000	2017 £'000
Bank charge	8	4
Preference share dividend	57	57
	65	61

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

9. Taxation

This note analyses the tax charge/(credit) for the year and explains the factors that affect it.

	2018 £'000	2017 restated £'000
Current tax		
UK corporation tax for year	192	225
Prior year adjustments	(64)	1
Total current tax	128	226
Deferred tax		
Origination and reversal of temporary differences	31	30
Total deferred tax	31	30
Total tax charged to income statement	159	256

The Company earns its profits entirely in the UK.

UK corporation tax has been charged at 19% (2017: 19.25%) the standard rate in the UK for the period.

Tax reconciliation

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK. The difference is explained below:

	2018 £'000	2017 restated £'000
Total profit before tax	1,028	1,181
Tax calculated at the standard UK corporation tax rate of 19% (2017: 19.25%)	195	227
Effect of:		
Expenses not deductible for tax purposes	31	31
Current tax adjustment in respect of previous years	(64)	1
Deferred tax adjustment in respect of previous years	1	-
Effect of difference in deferred tax rate compared to current tax rate	(4)	(3)
Total tax charged to income statement	159	256

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

10. Intangible assets

	Computer Software
	£'000
Cost or valuation	
At 1 January 2018	12,465
Additions	2,311
At 31 December 2018	14,776
Accumulated amortisation and impairment	
At 1 January 2018	10,586
Charge for the year	486
At 31 December 2018	11,072
Carrying amount	
At 1 January 2018	1,879
At 31 December 2018	3,704

Computer software is amortised over its estimated useful life, which on average is five years.

11. Property, plant and equipment

	Land and buildings £'000	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
Cost or valuation					
At 1 January 2018	3,214	2,545	178	3,653	9,590
Additions	-	5	-	93	98
At 31 December 2018	3,214	2,550	178	3,746	9,688
Accumulated depreciation and impairment					
At 1 January 2018	303	2,487	128	3,067	5,984
Charge for the year	101	38	21	252	412
At 31 December 2018	404	2,524	149	3,319	6,396
Carrying amount					
At 31 December 2018	2,810	26	29	427	3,292
At 31 December 2017	2,911	59	50	586	3,606

Land and buildings are initially recognised at cost less any accumulated depreciation and any accumulated impairment losses. The cost of servicing of land and building is recognised in the income statement in the period in which the costs are incurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

12. Deferred tax asset

The following is the deferred tax asset recognised by the Company and movements therein during the current and prior reporting period. All deferred tax is recognised in the income statement.

	2018 Deferred capital allowances	2017 Deferred capital allowances
	£'000	£'000
Deferred tax asset at 1 January	(749)	(779)
Debit/(credit) to income statement	31	30
Deferred tax asset at 31 December	**(718)**	**(749)**

It is expected that there will be sufficient suitable taxable profits to utilise the temporary timing differences.

13. Cash and cash equivalents

	2018 £'000	2017 £'000
Cash at bank	1,956	1,543
	1,956	1,543

Included above in the cash at bank is £702k (2017: £762k) held on behalf of external clients for the administration of their books with a corresponding amount shown as trade payables in note 15.

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

14. Trade and other receivables

	2018 £'000	2017 £'000
Amounts owed by group undertakings	2,812	1,683
VAT receivable	-	38
Prepayments and other debtors	496	221
	3,308	1,942

Trade receivables are measured at amortised cost. The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

14a. Contract assets

	2018 £'000	2017 £'000
Contract assets relating to License fees	14	31
Contract assets relating to Service fees	34	19
	48	50

The contract assets at the reporting date are:

	2018 Gross £'000	2018 Impairment £'000	2017 Gross £'000	2017 Impairment £'000
Up to 30 days	29	-	40	(13)
Between 31 and 60 days	-	-	10	-
Between 61 and 90 days	7	-	5	-
Due after 90 days	13	-	8	-
	49	-	63	(13)

Contract asset are measured at amortised cost. The directors consider that the carrying amount of contract assets approximately equal to their fair value.

15. Trade and other payables

	2018 £'000	2017 £'000
Trade payables	346	130
Amounts owed to group undertakings	2,392	352
Other taxation and social security costs	311	275
VAT (refund) / payable	8	-
Other creditors and accruals	3,627	3,174
	6,684	3,931

Trade and other payables are analysed as:

Expected to be settled within one year	6,684	3,931
Expected to be settled in more than one year	-	-
	6,684	3,931

The directors consider that the carrying value of trade payables approximates to their fair value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

16. Loans and borrowings

	2018 £'000	2017 £'000
Non-equity preference shares	2,500	2,500
	2,500	2,500
Analysed as:		
Expected to be settled within one year	57	57
Expected to be settled in more than one year	2,443	2,443
	2,500	2,500

The non-cumulative dividends on the preference shares are determined on a non-discretionary basis using a rate equal to 1.50% above Barclays Bank Plc interest rate at the first business day of each calendar year, and payable half yearly on the thirtieth day of June and on the thirty first day of December in each year. However, if any preference shares shall not have been paid up in full throughout the half year the dividend on that preference share shall be apportioned and paid proportionately to the amount paid up on the shares during any proportion or proportions of that half year; and such dividends shall accrue in respect of any half year only to the extent that, at the conclusion of that half year, the Company has sufficient profits available for distribution (within the meaning of section 830 and 843 of the Companies Act 2006) for this purpose.

Preference shares issued by the Company are classified as liabilities because they carry a non-discretionary obligation to pay a dividend to their holders. A perpetual instrument such as these preference shares with a mandatory dividend is a liability in its entirety because the whole of its value is derived from the stream of future dividend payments. The fact that the payment is non-cumulative and it depends on the availability of distributable reserves at the time the dividend is due does not remove the perpetual unavoidable obligation of the Company to pay cash to the holders of these preference shares.

17. Financial instruments – Fair values and risk management

(a) Accounting classification and fair values

The methodology adopted by the Company for the fair value measurement of financial assets and liabilities is explained in note 5.

The following table sets out information about the carrying amounts and fair value of the Company's financial instruments:

	31 December 2018		31 December 2017	
	Amortised cost £'000	Total £'000	Amortised cost £'000	Total £'000
Financial assets				
Trade and other receivables	496	496	268	286
Contract assets	48	48	41	41
Cash and cash equivalents	1,957	1,957	1,543	1,543
Amounts owed by group undertakings	2,812	2,812	1,674	1,674
	5,313	5,313	3,526	3,526
Financial liabilities				
Redeemable preference shares*	(2,443)	(2,443)	(2,443)	(2,443)
Dividends payable on redeemable shares	(57)	(57)	(57)	(57)
Trade payables	(346)	(346)	(130)	(130)
Contract liabilities	(695)	(695)	(801)	(801)
Amounts owed to group undertakings	(2,392)	(2,392)	(352)	(352)
	(5,933)	(5,933)	(3,783)	(3,783)

Fair values of the above financial assets and liabilities approximate their carrying value.

Fair value hierarchy analysis

All of the Company's financial instruments are categorized as Level 1 except Redeemable preference share.There were no transfers between Level 1, Level 2 and Level 3 during the year.

* Redeemable preference shares is categorized as level 3.

17. Financial instruments – Fair values and risk management (continued)
(a) Accounting classification and fair values (continued)

Basis for determining fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the 'fair value hierarchy' described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1:** inputs to Level 1 fair values are quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at the measurement date;

- **Level 2:** inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- **Level 3:** inputs to Level 3 fair values are unobservable inputs for the asset or liability. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant.

(b) Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk; and
- Market risk

I. Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework as prescribed by our parent company. The Board of Directors has established the Risk and Capital Committee, which as a formal subcommittee of the Board is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

17. Financial instruments – Fair values and risk management (continued)

(c) Financial risk management (continued)

II. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The carrying amount of the financial assets represents the maximum credit exposure.

Trade and other receivables, contract assets

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of industry and country in which customers operate.

At 31 December 2018, the maximum exposure to credit risk for contract assets by geographic region was as follows:

	2018 £'000	2017 £'000
United Kingdom	48	41
	48	41

At 31 December 2018, the ageing of trade and other receivables and contract assets that were not impaired is presented in note 14a.

Management believes that the unimpaired amounts that are past due more than 30 days are still collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit rating if they are available.

Cash and cash equivalents

The Company held cash and cash equivalents of £1,956k (2017: 1,543k). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated A+ (Stable) or A (Stable).

17. Financial instruments – Fair values and risk management (continued)

(c) Financial risk management (continued)

III. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below presents Company's exposure to liquidity risk at the year-end:

	2018				
Financial liabilities	**Carrying amount £'000**	**30days £'000**	**60days £'000**	**90days £'000**	**More than 90 days £'000**
Trade payables	(346)	(226)	304	172	(597)
Contract liabilities	(695)	(107)	(288)	(28)	(271)
Redeemable preference shares	(2,500)	-	-	-	(2,500)
	(3,540)	(333)	16	144	(3,368)

	2017				
Financial liabilities	**Carrying amount**	**30days**	**60days**	**90days**	**More than 90 days**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Trade payables	(130)	(14)	(25)	6	(97)
Current liabilities	(801)	(42)	(3)	(133)	(623)
Redeemable preference shares	(2,500)	-	-	-	(2,500)
	(3,431)	(56)	(28)	(127)	(3,220)

IV. Interest rate risk

The Company is exposed to interest rate risk arising principally on its cash and cash equivalents which earn interest at variable rates The Company does not enter into hedging transactions for the purposes of minimising its exposure to interest rate risk.

Each one half percent movement in the average achieved rate of interest in respect of cash and cash equivalents would impact annualised earnings by £20k (2017: £15k).

18. Called up share capital

Allotted, issued and fully paid:

Number	Class	Nominal Value	2018	2017
			£'000	£'000
250,000	Ordinary	£1	250	250

19. Related party transactions

The table below gives details of the transactions between the Company, its parent and other related parties which comprise other fellow group undertakings on the grounds that they are members of the same parent, Cardif Pinnacle Insurance Holdings plc.

	Amounts owed by related parties		Amounts owed to related parties	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Parent undertaking				
Cardif Pinnacle Insurance Holdings plc	-	-	83	33
Fellow group undertakings				
BNPP SA (France)	-	52	-	-
CBUK	31	33	-	-
BNPPC Ltd	1,830	421	-	-
Pinnacle Pe Healthcare Ltd	951	1168	-	-
Pinnacle Insurance plc	-	-	2,309	319
	2,812	1,674	2,392	352

The amounts owed by Pinnacle Insurance plc include re-organisation cost provision of £0.9m (2017: £1.0m).

The Company provides a management services to the following related subsidiaries and recharged the entire cost, as follows:

	Expenses incurred	
	2018	2017
	£'000	£'000
Pinnacle Insurance plc	16,396	15,633
	16,396	15,633

Details of the remuneration of the Company's key personnel are shown in note 6.

As at 31 December 2018, there were no loans outstanding to officers of the Company (2017: £nil).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

19. Related party transactions (continued)

The Directors regarded BNP Paribas SA (incorporated in France), as being the Company's ultimate parent undertaking and ultimate controlling party and Cardif Pinnacle Insurance Holdings plc (incorporated in the UK) as being the immediate parent undertaking.

The parent company of the largest group to include the Company in its consolidated financial statements is BNP Paribas SA. Copies of these financial statements are available from 3 rue d'Antin, BP 141, 75078 Paris Cedex 02, France.

The parent company of the smallest group to include the Company in its consolidated financial statements is Cardif Pinnacle Insurance Holdings plc. Copies of these financial statements are available from Pinnacle House, A1 Barnet Way, Borehamwood, Hertfordshire, WD6 2XX.

20. Pensions

The Company participates in a defined contribution pension scheme. The cost of pension contributions for the year, as part of the administrative expenses was £931k (2017: £890k).

21. Events after the balance sheet

There were no post balance sheet events to report at the date of approving these financial statements.