

**BEAZLEY INVESTMENTS LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2018**



# **Beazley Investments Limited**

## **Directors and advisors**

### **Directors**

M S Goodman  
C C W Jones  
C P Oldridge

### **Secretary**

Hampden Legal Plc  
Hampden House  
Great Hampden  
Great Missenden  
Buckinghamshire  
HP16 9RD

### **Registered office**

Plantation Place South  
60 Great Tower Street  
London  
EC3R 5AD

### **Registered number**

03362457

### **Auditor**

KPMG LLP  
15 Canada Square  
London  
E14 5GL

### **Banker**

Deutsche Bank AG  
6 Bishopsgate  
London EC2N 4DA

# **Beazley Investments Limited**

## **Strategic report**

The directors present their strategic report for Beazley Investments Limited ('the company', registered number: 03362457) that accompanies the audited financial statements for the year ended 31 December 2018.

### **Business review and principal activity**

The principal activity of the company is that of an investment company. The company's investments are in Beazley Group (USA) General Partnership, Capson Corp., Inc, Digital Risks and EVP LLP.

### **Going concern**

The financial statements have been prepared on a going concern basis, as the directors are of the opinion that the company will be able to pay its debts as and when they fall due.

The principal activity of the company is that of an investment company with investments held as non-current assets. The liabilities of the company relate to the funding received from fellow group companies within the Beazley group ('the group'), to continue the investment activities that will be settled through future cash flows which result in net current liabilities. Beazley Furlonge Holdings Limited has provided the entity with a letter of support to cover a 12 month period from the date of the report and accounts for the year ended 31 December 2018.

On 26 March 2019, Beazley Group Limited provided a waiver which stated that the debt owed by Beazley Investment Limited could be written off to the value of \$4m. A write off of \$2.8m was recorded through the profit and loss account of Beazley Investment Limited in March 2019.

Accordingly the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

### **Key performance indicators (KPIs)**

The company's directors are of the opinion that the KPIs for the company are best represented by the financial statements and related notes set out on pages 8 to 14. In particular, the key assets of the company are investments in other entities and these investments are detailed in notes 5 and 6 to the financial statements.

Signed on behalf of the board



C P Oldridge  
Director

27 March 2019

Plantation Place South  
60 Great Tower Street  
London  
EC3R 5AD

# **Beazley Investments Limited**

## **Directors' report**

### **Business review**

A review of the company's activities is included in the strategic report.

### **Results and dividends**

The results for the year are shown in the profit or loss account on page 8. No dividend was paid in the year ended 31 December 2018 (2017: £nil).

### **Donations**

No charitable or political donations were made by the company in either the current or prior year.

### **Directors**

The directors of the company, who served during the year and to the date of this report, were as follows:

M S Goodman  
C C W Jones  
C P Oldridge

### **Directors' shareholdings**

No director has any beneficial interest in the shares of the company. The interests of the directors of the ultimate parent company, Beazley plc, in the share capital of the ultimate parent company, are disclosed in that company's accounts. Copies of those accounts can be obtained from the website [www.beazley.com](http://www.beazley.com).

### **Disclosure of information to the auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

# **Beazley Investments Limited**

## **Directors' report (continued)**

### **Social, environmental and ethical risks**

Social, environmental and ethical risks are managed on a group basis. More information can be obtained on how the group manages these risks from the financial statements of Beazley plc.

### **Auditor**

The group undertook an audit tender process during 2018 in respect of external audit services. EY were proposed for appointment for financial periods on or after 1 January 2019 to the Beazley plc shareholders at the 2019 AGM and were approved. KPMG LLP will resign as auditor following the completion of the 31 December 2018 audit.

Signed on behalf of the board

A handwritten signature in black ink, reading "Christine Oldridge".

C P Oldridge  
Director

27 March 2019

Plantation Place South  
60 Great Tower Street  
London  
EC3R 5AD

# Beazley Investments Limited

## Statement of directors' responsibilities in respect of the strategic report, directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



C P Oldridge  
Director

27 March 2019

# **Beazley Investments Limited**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEAZLEY INVESTMENTS LIMITED**

### **Opinion**

We have audited the financial statements of Beazley Investments Limited ("the company") for the year ended 31 December 2018 which comprise the profit or loss account, statement of changes in equity, balance sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

# Beazley Investments Limited

- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

## Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

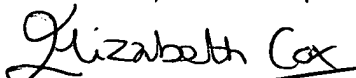
## Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## The purpose of our audit work and to whom we owe our responsibilities

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.



**Elizabeth Cox (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
15 Canada Square  
London E14 5GL

27 March 2019



# Beazley Investments Limited

## Profit or loss account

For the financial year ended 31 December 2018

	Note	2018 \$	2017 \$
Net investment income		(327,845)	59,829
Gain from sale of associate		1,502,342	863,868
Bank charges		(95)	(89)
Loss on foreign exchange		(155,684)	(652,807)
<b>Operating profit</b>	2	<u>1,018,718</u>	<u>270,801</u>
Write down of investment in associate		(2,786,400)	(8,173,600)
Forgiveness of amounts owed to group undertakings		-	8,173,600
<b>(Loss)/profit on ordinary activities before taxation</b>		<u>(1,767,682)</u>	<u>270,801</u>
Taxation credit	4	<u>155,281</u>	<u>49,526</u>
<b>(Loss)/profit for the financial year</b>		<u>(1,612,401)</u>	<u>320,327</u>

The company's operating activities all relate to continuing operations.

## Statement of changes in equity 31 December 2018

	Share capital \$	Foreign exchange \$	Profit or loss account \$	Total shareholders' funds \$
<b>Balance at 1 January 2017</b>	2,170,756	(323,463)	804,813	2,652,106
Profit for the year	-	-	320,327	320,327
<b>Balance at 31 December 2017</b>	<u>2,170,756</u>	<u>(323,463)</u>	<u>1,125,140</u>	<u>2,972,433</u>
<b>Balance at 1 January 2018</b>	2,170,756	(323,463)	1,125,140	2,972,433
Loss for the year	-	-	(1,612,401)	(1,612,401)
Redemption of preference shares	(5)	-	-	(5)
<b>Balance at 31 December 2018</b>	<u>2,170,751</u>	<u>(323,463)</u>	<u>(487,261)</u>	<u>1,360,027</u>

The company's foreign exchange reserve relates primarily to the change in functional currency from sterling to US dollars in 2010.

# Beazley Investments Limited

## Balance sheet

As at 31 December 2018

	Note	2018 \$	2017 \$
<b>Fixed assets</b>			
Investment in subsidiaries	5	1,834,024	1,834,024
Investment in associates	6	-	2,786,400
Other investments	7	2,388,713	-
		<u>4,222,737</u>	<u>4,620,424</u>
Debtors	8	1,543,168	1,007,787
Current tax receivable		83,066	51,477
Cash at bank		363,489	58,750
<b>Total assets</b>		<u>6,212,460</u>	<u>5,738,438</u>
<b>Capital and reserves</b>			
Called up share capital	10	2,170,751	2,170,756
Foreign exchange reserve		(323,463)	(323,463)
Profit or loss account		(487,261)	1,125,140
<b>Total shareholders' funds</b>		<u>1,360,027</u>	<u>2,972,433</u>
<b>Liabilities</b>			
Creditors		4,852,433	2,766,005
<b>Total liabilities, capital and reserves</b>		<u>6,212,460</u>	<u>5,738,438</u>

The financial statements were approved by the board of directors on 27 March 2019.

Signed on behalf of the board of directors



C C W Jones  
Director – Company 03362457

The notes on pages 10 to 14 form part of these financial statements.

# **Beazley Investments Limited**

## **Notes to the financial statements**

### **1. Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

#### **Basis of accounting**

The financial statements have been prepared in accordance with the applicable Accounting Standards in the United Kingdom, Financial Reporting Standard 102 ('FRS 102').

The financial statements are presented in US dollars being the functional currency of the company.

#### **Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions. As these conditions have been complied with the company has taken advantage of the following exemptions:

- (i) from preparing a reconciliation of the number of shares outstanding at the beginning and at the end of the period;
- (ii) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in the group's consolidated financial statements, includes the company's cash flows;
- (iii) from disclosing share based payment arrangements concerning its own equity instruments. The group's share based payment arrangements and relevant disclosures are presented in the group's consolidated financial statements;
- (iv) from disclosing the company key management personnel compensation, as required by FRS 102; and
- (v) from disclosing transactions entered into between related parties within a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

#### **Amounts owed to group undertakings**

Amounts owed to group undertakings are stated at amortised cost and include accrued investment income.

#### **Investments**

Investments in subsidiary undertakings and associates are stated at cost less permanent diminution in value. Other investments are held at fair value.

#### **Taxation**

The charge for taxation is based on profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

# Beazley Investments Limited

## Notes to the financial statements (continued)

### 1. Accounting policies (continued)

#### Foreign currency translation

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. 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 the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit or loss account.

Translation differences relating to differences between, or changes to, functional currency and presentational currency are recorded through the foreign exchange reserve on the balance sheet.

### 2. Profit on ordinary activities before taxation

The audit fee in the current financial year was \$1,700 (2017: \$2,179) and was borne by Beazley Management Limited.

Amounts receivable by the company's auditor and its associates in respect of services to the company and its associates, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the company's parent, Beazley plc.

All staff are employed by Beazley Management Limited.

### 3. Directors and employees

None of the directors of the company, or employees of the group, received any remuneration in respect of services rendered to the company. Details of the remuneration paid to the group's directors and employees for their services to the group are shown in the ultimate parent undertaking's accounts, Beazley plc, which can be found at [www.beazley.com](http://www.beazley.com)

### 4. Taxation

	2018 \$	2017 \$
Current tax:		
UK corporation tax charge at 19.0% (2017:19.25%)	(87,224)	(49,526)
Adjustment in respect of prior periods	(68,057)	-
<b>Taxation credit for the year</b>	<b>(155,281)</b>	<b>(49,526)</b>

#### *Factors affecting the tax charge for current and prior years*

The current tax charge is lower (2017: lower) than the standard rate of corporation tax in the UK of 19.0% (2017: 19.25%) due to the differences explained below.

# Beazley Investments Limited

## Notes to the financial statements (continued)

### 4. Taxation (continued)

	2018 \$	2017 \$
<i>Corporation tax reconciliation</i>		
(Loss)/profit on ordinary activities before tax	(1,767,682)	270,801
Current tax charge at 19.0% (2017: 19.25%)	(335,859)	52,129
Effect of permanent differences	533,740	-
Tax exempt income	(285,105)	(101,655)
Under provision from prior years	(68,057)	-
<b>Current tax credit for the year</b>	<b><u>(155,281)</u></b>	<b><u>(49,526)</u></b>

The Finance Act 2016, which provides for a reduction in the UK Corporation tax rate down to 17% effective from 1 April 2020 was substantively enacted on 6 September 2016. These rate reductions to 19% and 17% will reduce the company's future tax charge.

### 5. Investment in subsidiaries

	2018 \$	2017 \$
Subsidiary company	<u>1,834,024</u>	<u>1,834,024</u>

The company owns a 1% share in Beazley Group (USA) General Partnership, a company incorporated in the USA with its principal nature of business being that of a general partnership. This is deemed to be a subsidiary due to the company and Beazley Furlonge Holdings limited (which own the other 99%) having common directors and, therefore, control.

### 6. Investment in associates

	2018 \$	2017 \$
<b>As at 1 January</b>	2,786,400	14,355,559
Sale of share in Equinox Global Limited	-	(3,395,559)
Write down of investment in Capson Corp Inc.	<u>(2,786,400)</u>	<u>(8,173,600)</u>
<b>As at 31 December</b>	<u>-</u>	<u>2,786,400</u>

If the above investments had been valued on an equity basis, the investments in associates recognised in the balance sheet would have been nil (2017: \$2.8m). The accumulated losses recognised up until 31 December 2018 would have been \$11.0m (2017: \$8.2m).

# Beazley Investments Limited

## Notes to the financial statements (continued)

### 6. Investment in associates (continued)

As required by section 409 of the Companies Act 2006, all shares held by the company in its associated undertakings are provided below;

31 December 2018	Country of incorporation	% interest held	Carrying value \$
Capson Corp., Inc. (and subsidiary)	USA	31	-
			-

Capson Corp Inc. acts as an insurance intermediary.

### 7. Other investments

	2018 \$	2017 \$
Investment in Digital Risks	638,449	-
Investment in EVP LLP	1,750,264	-
<b>As at 31 December</b>	<b>2,388,713</b>	<b>-</b>

The above relate to investments in Insurtech funds which were made during the year and are measured at fair value through the profit and loss.

### 8. Debtors

	2018 \$	2017 \$
Other debtors	1,429,018	1,007,787
Amounts owed by group companies	114,150	-
	<b>1,543,168</b>	<b>1,007,787</b>

The other debtors is made up of deferred consideration in relation to the sale of Equinox in 2017. As at the balance sheet date the performance criteria relating to the earning of the additional consideration had been met however cash had not been received.

### 9. Creditors

	2018 \$	2017 \$
Other creditors	5	-
Amounts owed to group companies	4,852,428	2,766,005
	<b>4,852,433</b>	<b>2,766,005</b>

# Beazley Investments Limited

## Notes to the financial statements (continued)

### 10. Share capital

	2018 \$	2017 \$
<u>Allotted called up and fully paid</u>		
1,206,595 (2017: 1,206,595) ordinary shares of £1 each	2,170,751	2,170,751
3 Redeemable preference shares of £1 each	-	5
	<u>2,170,751</u>	<u>2,170,756</u>

The preference shares were redeemable by either the company or the shareholders by giving not less than seven days' notice of the proposed redemption. There was no premium payable on redemption. On 11 May 2018, the 3 preference shares were redeemed.

### 11. Ultimate controlling company

The company's ultimate controlling company is Beazley plc incorporated in the UK. The immediate controlling company is Beazley Furlonge Holdings Limited incorporated in the UK.

The largest and the smallest groups in which the results of the company are consolidated are those headed by Beazley plc and Beazley Ireland Holdings Limited respectively.

The consolidated financial statements of the ultimate controlling company, Beazley plc, can be obtained from the website [www.beazley.com](http://www.beazley.com).

### 12. Related parties

For amounts due from and to group companies please refer to note 8 and 9.

### 13. Subsequent events

On 26 March 2019, Beazley Group Limited provided a waiver which stated that the debt owed by Beazley Investment Limited could be written off to the value of \$4m. A write off of \$2.8m was recorded through the profit and loss account of Beazley Investment Limited in March 2019.