Ed Broking Group Limited

Consolidated Financial Statements

Year ended 31 December 2017

Ed.

Contents

Company Information

Directors

Martin Sullivan (Non-Executive Chairman)
Stephen Hearn (CEO)
Neil Perry
Andrew Wallin
Wayne Berman (Non-Executive)
José Manuel Fonseca (Non-Executive)
Richard Sterne (Non-Executive)
John Whiter (Non-Executive)
Boris Rapoport (Non-Executive)

Registered office

52 Leadenhall Street
London
EC3A 2EB

Registered number

07254605

Independent auditor

Deloitte LLP
Statutory Auditor
2 New Street Square
London
EC4A 3BZ

Principal bankers

Royal Bank of Scotland
RBS London Corp Bank Centre
2 ½ Devonshire Square
London
EC2M 4XJ

The Directors present their strategic report and the audited consolidated financial statements of Ed Broking Group Limited ('the Group') and the separate financial statements of Ed Broking Group Limited ('the Company') for the year ended 31 December 2017.

Principal activities

The Company is domiciled and incorporated in the UK under company number 07254605 on 14 May 2010 as the Holding Company of the Ed Group. The primary business activities of the Group are international insurance and reinsurance intermediation. The Group operates from a number of offices worldwide and will continue to carry on these activities.

Key events in the year

Following our successful deleveraging of the Group in 2016, 2017 was one of investment in building the remaining Group towards our goal of being the leading global wholesale and specialty insurance and reinsurance broker. Our activities throughout the year were centred on our 6 strategic pillars:

- Footprint
- Production Talent
- Operating Model
- Team structure
- Data and Analytics
- Premium yield

To fund this next stage of our development we exited our Canadian managing general agent business, Creechurch in February 2017, raising approximately $34m.

Footprint

At 31 December 2017, the Group had a global network of 13 offices and around 500 employees under the Ed Group structure.

During the year we added significantly to both our product range as well as expanding our geographic reach.

Our strategy includes the addition of new products to meet the developing needs of our clients. During the year we have added product knowledge in Accident & Health, Professional Indemnity and International MGAs. Those product expansions have been led by our London business but are supported by our International teams.

We have also added products to our underwriting business including Construction and Accident & Health in Australia and Cargo Liability in the UK.

Our International offices have continued to add headcount in Singapore, Dubai, Hong Kong and Miami. At the same time we have restructured our German broking business to reflect the decline in the German marine insurance market which has persisted since 2012.

In 2018 we have opened an office in Brisbane, Australia and have secured a licence to operate in Jersey and Guernsey.

We will continue to develop new product capabilities where we find commercial opportunity.

Production Talent

2017 was probably most significant for the range of investments we made in production talent. These included:

- London
    - We reset our Reinsurance team with substantial hires focused on the production of new business in both Marine and Non-Marine classes.
    - We expanded our Property & Casualty capabilities for both North American and International geographies

    - To complement our strong North American Programmes business we started the build out of an International Programmes business
    - As mentioned earlier we opened our wholesale Accident & Health business and expanded our Professional Indemnity offering considerably
- Singapore
    - We have added production capability in Marine Hull and Cargo as well as geographic capability in South East and Northern Asia
- Miami – we added an Energy specialist to our Miami team to work in conjunction with our global Energy business in London and Singapore
- Dubai – we opened a Facultative Property and Casualty team focused on business from Turkey and began the development of a Treaty reinsurance team

We will continue to invest in the business in order to drive revenue growth through reaching new clients and expanding our relationships with existing clients.

Operating model

During 2017 we focused on investment rather than the rapid cost reduction we undertook in 2016. Notwithstanding that we invested some funds and significant time into the development of our target operating model. We believe that the insurance broking market will undergo significant change in the coming years and we reviewed our options to ensure we are positioned as a leader in that timeframe.

We have moved towards our future state with the appointment of leaders for our global Sales, Broking and Operations functions in the early part of 2018.

Team structure

We have grown the capability of the Ed Management team during 2017 with the recruitment of a new Chief Financial Officer, Head of Legal, Risk and Compliance and new leaders in Miami, Germany, Australia and Dubai. In 2018 we have added a Head of Operations.

As important as the quality of our new team is the "One Ed" culture. We are motivated to find the best price, terms and conditions for our clients regardless of geography. This approach is enabling us to find solutions where our competitors are unable to serve a client's needs and, combined with our independence and lack of channel conflict, is a core part of our service proposition.

During 2018, we have further developed the team structure through the establishment of functional teams focused on sales, broking and operations. These teams are ensuring that we act as a single global entity wherever our clients interact with us, driving better client solutions and improved efficiency.

Data & Analytics

We have developed our Data and Analytics capability in two areas during 2017. Firstly with the development of our TradEd platform and secondly through the investment in a Data and Analytics team to bring actuarial and analytic knowledge to our clients' insurance needs.

Our TradEd platform is a tool for our staff to help ensure that our clients receive the best price, terms and conditions as well as ultimately reducing the cost of our services to clients and underwriters. The platform enables the capture of data required to underwrite a clients risks in a structured format. That data can then be utilised to determine the likely best markets in which we could place that business. We are then working with a small number of partner insurance markets to enable that structured data to be electronically integrated into the back office systems of the insurers, reducing rekeying and error for both ourselves and the carriers. We record responses from carriers to enable us to measure the real risk appetite of each carrier at a given point in time. We now have TradEd operating in each of our broking businesses and are therefore adding to our knowledge base on a continuous basis.

We have also expanded our product set available to clients through the addition of an Actuarial team to assist our clients in the development of insurance programmes based on industry leading data sets and capability.

Premium Yield

During 2017 we developed a strategy for our engagement with insurance carriers and have embedded this within the business through our Broking Leadership Group. Carriers have responded positively to our strategy and the development of TradEd as they seek alternatives to the three global insurance brokers who dominate our market.

Business review and results

Operating Environment

The global economic environment stabilised and showed accelerating growth throughout 2017, albeit from low starting points. The continued low interest rate regimes in most economies meant that inward capital flows continued to exert downward pressure on insurance premium rates throughout the year, although there was some flattening late in the year following the significant natural disaster events in 2017.

The competitive pressures acting on participants in the global (re)insurance industry remained. Insurance demand is correlated to economic activity and while long term growth opportunities exist, particularly in developing economies, the current environment – one of over capitalisation, below average losses and weak pricing – has forced participants to focus on cost reduction and efficiencies.

Regulation remains a significant factor in our deployment of resources. Throughout the year we have worked closely with regulators in London, Dubai and Singapore in particular on the implementation of new regulation as well as obtaining the regulatory permissions we need to enable the growth of the business.

Business Performance

The Group loss after tax from continuing operations was US$27.7m; an improvement on the 2016 loss of US$50.8m.

During the year the Group saw a reduction in overall reported revenue and EBITDA, due to a combination of internal and external challenges together with our extensive investment programme; most notably in the UK. In addition, the carrying value of Goodwill was impaired by US$8.5m during the year (see note 9).

Financial review

The comparatives shown in the Consolidated Income Statement from the Commission and fees line down to Loss for the year from continuing operations line are for businesses that are ongoing as at 31 December 2017. The 2016 comparatives for businesses that were sold during the year have been reclassified to Discontinued Operations. The results stated below are therefore for continuing operations only.

	2017 US$'000	2016 US$'000
Key performance indicators		
Commissions and fees	**87,615**	92,948
EBITDA [1]	**(13,143)**	(547)
EBITDA margin[1]	**-15.0%**	-0.6%

[1] EBITDA is operating profit before exceptional items, excluding depreciation, amortisation, impairment charges, share based payments and discontinued operations. EBITDA margin is calculated as a percentage of commissions and fees.

During the year we moved to a new structure for the ongoing management of the business. We now report the Group's businesses across four segments:

- London Broking
- International Broking: incorporating our business in Dubai, Germany, Hong Kong, Miami and Singapore. With the exception of Germany, each of these businesses operates under the Ed brand name
- Underwriting, incorporating our business in France (trading as Cooper Gay France), Australia (trading as Epsilon) and the MGA operations in the UK (trading as Globe).
- Head office which covers the group's management and corporate services and support functions.

Overall, revenue in the continuing businesses was down 6% or $5.3m. The reduction was driven by:

- London Broking business was down $6m driven by our Energy and Reinsurance businesses. In both cases this related to a repositioning of both portfolios. In the case of Energy, a number of existing clients moved business to members of their own groups of companies in London. Our Reinsurance business reduction was a consequence of our 2016 cost reduction activities and the fact that our new team joined after the key renewal season in 2017.
- In International Broking, our German business was down $4m as we continued to experience client losses and a soft market environment

Partly offsetting these reductions:

- International Broking was up 38% with growth across Miami, Singapore and Hong Kong
- Underwriting was up 18% driven by new products in the UK and favourable market conditions and new business in Australia

Our investment programme during 2017 saw us increase expenses by $10m, primarily in the recruitment of the additional production talent. Against this investment, revenue of $2m was recorded. We anticipate the investment reaching breakeven during 2018 and delivering a meaningful margin in 2019.

Adjusting for the impact of our investments in 2017, EBITDA reduced from a loss of $0.5m in 2016 to a loss of $5m in 2017 driven by the revenue reductions in Germany and London.

Conclusion

2017 was an exciting year of investment for the business which we made in the face of challenging market environments and through the impact of our significant restructure and repositioning in 2016. We have changed the management of a significant number of our businesses and strengthened both the production capability and our support teams, positioning the business for ongoing recovery.

Going concern

In assessing going concern, the Directors take account of all information of which they are aware in respect of the entity's performance, which is at least, but is not limited to, twelve to thirty six months from the date that the balance sheet is signed. In making the assessment in the preparation of these accounts, the Board has considered the adequacy of the financial resources available to the Group and has determined that the firm has adequate resources to remain a going concern for the foreseeable future.

Events after the reporting date

Details of significant events since the balance sheet date are contained in note 28 to the financial statements.

Management Incentive Scheme

Since the year end, and with the support of our shareholders, we have established a Management Incentive Scheme in order to align the interests of Management and Shareholders. The Scheme is a combination of share options and growth shares which enable management to participate in the upside in share price above the last external valuation of the Group's ordinary shares. The Scheme provides management with a 25% interest in growth over that value.

Principal risks and uncertainties

Risks are potential events that affect the company's ability to achieve its strategic objectives.

The major risks faced by the Group are regularly assessed and arise from:

- Failures in client service, in particular those causing errors;
- Loss or mishandling of client money;
- Breach of local laws, in particular financial services regulations and sanctions, resulting in regulatory or law enforcement action;
- *Major actions proposed by Group businesses that are either improperly executed or conflict with* overall Group strategy;
- Conflicts of interest, that could affect our staff and our service to clients, and

The Group regards non-compliance with law and regulation, loss or mishandling of client money, and errors and omissions as the principal risks it faces. Risks to the Group are mitigated by controls designed to prevent risks crystallising, to detect risk events, and to mitigate the impact of risk events.

Risk policies

The Board of Directors of the Group has ultimate responsibility for risk management, and delegates oversight of risk management, financial control and reporting processes to the Group Audit and Risk Committee, formed of non-executive directors.

The Group has implemented a risk management approach appropriate to the size, nature and strategy of the business. This approach is regularly reviewed to ensure it remains appropriate and effective.

The Board recognises that the major risks are most effectively mitigated as close to their source as possible, so requires and empowers business managers to take responsibility for management of risks. The Board has also implemented a governance structure over critical actions taken by businesses. Their execution of these responsibilities and compliance with the governance structure are closely monitored via reporting and regular reviews and audits by the Group's Risk Management function of risk management processes used by business managers.

Financial risk management

1) Foreign currency risk

The Group's cash flow, income statement and statement of financial position are reported in US Dollars. Results are inevitably therefore affected by fluctuations in exchange rates because a significant portion of the Group's business activities is conducted in currencies other than US Dollars, and the Group holds substantial non-US Dollar denominated assets. This foreign currency risk is mitigated through the use of derivative financial instruments.

A 10 cent strengthening of the US Dollar exchange rate against Sterling in 2016 would have the following impact:

	2017 US$'m	2016 US$'m
Operating profit (unhedged)	**6.1**	5.9
Operating profit (hedged)	**3.0**	3.8

2) Credit risk
The Group's exposure to credit risk takes the form of a loss that would be recognised if counterparties failed to, or were unable to, meet their payment obligations. These risks may arise in certain agreements in relation to amounts owed for fees and commissions, the use of derivative instruments, and the investment of surplus cash balances. The Group is also exposed to political and economic risk events, which may cause non-payment of foreign currency obligations to the Group. Poor economic conditions also increase the likelihood of failure of companies in the sector, potentially including partners, contractors and suppliers. The Group monitors its credit risk through client acceptance procedures, credit control and actively monitors financial institutions with which it holds its cash.

The maximum credit risk exposure to the Group represents the total of its trade and other receivables, cash and cash equivalents and derivative financial instruments classified as current and non-current assets of US$189.6m (2016: US$189.2m).

3) Liquidity risk
The Group is also exposed to liquidity risks, including the risk that financial assets cannot readily be converted to cash without loss of value. Failure to manage financing risks could have a material impact on the Group's cash flow, income statement and statement of financial position. The Group minimises liquidity risk through regular monitoring of liquidity available to the group.

4) Errors & Omissions (E&O) risk
Potential E&O losses *arise from the risk of claims from clients or re/insurers due to negligence, error or* omission. E&O actions typically arise from a failure in operating policy in relation to placement or claims; or in the provision of services or advice.

By the very nature of wholesale broking, the Group is exposed to this risk on a daily basis. We are in a strong position and mitigate this risk in a number of ways:

- we employ experienced staff who share the Group's values;
- compliance requirements are embedded into our dealings with clients and carriers;
- staff receive training and follow clearly explained processes and procedures to ensure that clients' needs are being addressed and that market practice is followed;
- all steps in the broking process are documented and relevant evidence is retained;
- second line of defence activities, particularly file reviews and internal audit provide additional assurance;
- as an added measure of risk mitigation, the Group has its own E&O insurance to cover the costs of any successful claim against it.

5) BREXIT risk
The UK's withdrawal from membership of the European Union may have an adverse impact on the Group's ability to deliver on its business strategy. The BREXIT process is expected to take at least two years to conclude. Until the likely outcome of the negotiations becomes clearer, uncertainty will remain about the impact on the Group's business model. However, the majority of our business is sourced from, and placed, outside the EU.

We are evaluating:

- scenarios that may arise at the time of the UK's EU exit and developing mitigation plans; including the use of our existing broking operations in France and Germany
- possible impacts on the Lloyds market and on our staff who are EU nationals

We continue to monitor developments in the BREXIT negotiations and the markets we operate in to manage any risks to our business strategy.

Approved by the Board and signed by order of the Board

Stephen Hearn
Chief Executive Officer
2 August 2018

The Directors present their report and the audited consolidated financial statements of the Group and Company for the year ended 31 December 2017.

Directors and their interests

The Directors who held office during the year and to the date of this report are given below:

Wayne Berman	Appointed 1 March 2013
Stephen Hearn	Appointed 5 November 2015
José Manuel Fonseca	Appointed 9 July 2010
Neil Perry	Appointed 27 July 2017
Boris Rapoport	Appointed 28 July 2016
Richard Sterne	Appointed 14 April 2015
Martin Sullivan	Appointed 26 September 2014 (elected as Chairman 1 October 2014)
Andrew Wallin	Appointed 27 July 2017
John Whiter	Appointed 9 July 2010

Details of directors' remuneration are shown in note 5 of the financial statements. No director has any beneficial interest in the shares of any group companies other than Ed Broking Group Limited.

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the group and parent company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor

It is intended to reappoint the auditor, Deloitte LLP, who have indicated their willingness to continue in office and arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an annual general meeting.

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

- so far as the director is aware, there is no relevant audit information of which the company's auditor are unaware; and

- he has taken all the steps that he ought to have taken as a 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 s.418 of the Companies Act 2006.

Dividend recommendation

The directors recommend that no final dividend is paid (2016: nil). No interim dividend was paid during the year (2016: nil).

Employees

The Directors recognise that the continuing success of Ed depends on its employees and continues to adopt policies and employee benefits designed to attract, develop and retain skilled and talented individuals.

Communication with employees continues at all levels with the aim of ensuring that views are considered when reaching decisions that may impact them. This has been further developed recently through new starter lunches with the Executive Team, lunches with the CEO and internal employee forums which both promote honest and open conversations regarding Ed and how we can continuously improve what we do. This is of course supported through various means including the Company intranet and newsletters. There are also regular briefings and update sessions including an annual conference in January which all UK employees attend and it is recorded to enable us to share this with our international offices.

Ed continues to develop and engage employees through various initiatives such as regular performance reviews, training, management and financial support for qualifications and our leadership programmes. Ed encourages involvement in committees such as Corporate Social Responsibility (CSR) and Sports & Social and promotes a business partnering model for both HR and Finance designed to share knowledge and further improve communication. In addition, some employees are shareholders in the business which helps align individual performance with the financial results of the Group.

Equal opportunities

Ed is an equal opportunities employer committed to encouraging equality and diversity amongst its workforce. Decisions related to recruitment and internal advancement is based on individual ability irrespective of age, disability, gender reassignment, race, religion or belief, gender, sexual orientation, marriage or civil partnership and pregnancy/maternity.

We are committed to ensuring that those with disabilities are given equal opportunities in respect of entering and continuing employment with us. If existing colleagues become disabled, every effort is made to ensure that their employment with the Ed continues. If such colleagues are unable to continue to work, every effort is made to safeguard their financial interest. Ed aims to provide recruitment, training, development and promotion opportunities that are identical, as far as possible, for disabled and non-disabled colleagues.

Ed understands the importance of creating a vision where diversity and inclusion are valued by all. Real long term success can only be achieved by including people (employees, suppliers and business partners) from all sectors of society, and ensuring they are part of our community, valued for their contribution and able to flourish and succeed.

Approved by the Board and signed by order of the Board

Stephen Hearn
Chief Executive Officer
2 August 2018

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Ed Broking Group Limited (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated statement of finance position and parent company balance sheet;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the accounting policies; and
- the related notes 1 to 30.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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

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

Use of 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

We have nothing to report in respect of these matters.

David Rush, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

2nd August 2018

Consolidated income statement
for the year ended 31 December 2017

	Notes	**Year Ended 31 December 2017 US$'000**	Year Ended 31 December 2016 US$'000
Commissions and fees	1	**87,615**	92,948
Investment income	3	**702**	334
Other operating income	2	**3,455**	1,448
Other operating costs		**(113,150)**	(113,519)
Depreciation, amortisation and impairment charges	2	**(10,431)**	(19,028)
Operating loss	2	**(31,809)**	(37,817)
Analysed as:			
Operating loss before exceptional items		**(23,574)**	(20,552)
Exceptional items	2	**(8,235)**	(17,265)
Operating loss		**(31,809)**	(37,817)
Finance costs	4	**(422)**	(13,749)
Finance income	4	**5,506**	30
Net finance costs	4	**5,084**	(13,719)
Loss before tax		**(26,725)**	(51,536)
Income tax expense	7	**(958)**	779
Loss for the year from continuing operations		**(27,683)**	(50,757)
Discontinued operations			
Profit for the year from discontinued operations	23	**31,230**	156,856
Profit for the year		**3,547**	106,099
Attributable to:			
Owners of the Company		**3,346**	97,198
Non-controlling interests	21	**201**	8,901
		3,547	106,099

Consolidated statement of comprehensive income for the year ended 31 December 2017

	Notes	**Year Ended 31 December 2017 US$'000**	Year Ended 31 December 2016 US$'000
Profit for the year		**3,547**	106,099
Other comprehensive income:			
Items that will not be subsequently reclassified to profit and loss:			
Remeasurement of post retirement benefit obligations			
- gross	24	**4,110**	(4,165)
- Deferred tax		**(518)**	424
		3,592	(3,741)
Items that may be subsequently reclassified to profit and loss:			
Cash flow hedge :			
- fair value losses in year		**4,247**	(10,275)
- transfers to commissions and fees		**3,399**	5,067
Currency translation differences		**1,556**	2,631
		9,202	(2,577)
Other comprehensive profit/(loss) for the year, net of tax		**12,794**	(6,318)
Total comprehensive profit for the year		**16,341**	99,781
Attributable to:			
Owners of the Company		**16,140**	90,880
Non-controlling interests		**201**	8,901
		16,341	99,781

Consolidated statement of financial position
as at 31 December 2017

	Notes	**Year Ended 31 December 2017 US$'000**	Year Ended 31 December 2016 US$'000
Non-current assets			
Goodwill	9	**29,825**	34,673
Other intangible assets	10	**8,076**	7,433
Property, plant and equipment	11	**1,060**	1,113
Trade investments	12	**159**	150
Trade and other receivables	14	**2,589**	3,902
Derivative financial instruments	13	**1,079**	-
Deferred tax assets	18	**2,279**	3,570
		45,067	50,841
Current assets			
Trade and other receivables	14	**33,473**	40,745
Current tax assets		**543**	604
Derivative financial instruments	13	**1,176**	3
Held for sale	23	**-**	2,000
Cash and cash equivalents	15	**151,238**	142,580
		186,430	185,932
Current liabilities			
Trade and other payables	16	**(137,170)**	(141,902)
Derivative financial instruments	13	**(1,612)**	(6,017)
Current tax liabilities		**(18)**	(156)
Provisions for liabilities and charges	19	**(1,187)**	(1,166)
		(139,987)	(149,241)
Net current assets		**46,443**	36,691
Non-current liabilities			
Trade and other payables	16	**-**	(3,101)
Derivative financial instruments	13	**(185)**	(3,174)
Deferred tax liabilities	18	**(261)**	(722)
Retirement benefit obligations	24	**(16,167)**	(20,261)
Provisions for liabilities and charges	19	**-**	(38)
		(16,613)	(27,296)
Net assets		**74,897**	60,236
Capital and reserves			
Share capital	20	**4,205**	4,205
Share premium	20	**158,632**	158,632
Capital reserve	20	**25,124**	25,124
Hedge reserve	20	**916**	(6,730)
Foreign currency translation reserve	20	**(6,167)**	(7,723)
Retained accumulated deficit	20	**(108,103)**	(115,065)
Equity attributable to owners of the Company		**74,607**	58,443
Non-controlling interests	21	**290**	1,793
Total equity		**74,897**	60,236

The Accounting Policies and Notes on pages 19 to 72 form an integral part of these financial statements.

The financial statements on pages 1 to 72 were approved by the Board and signed on its behalf on 2 August 2018 by:

Stephen Hearn
Chief Executive Officer

Consolidated statement of changes in equity for the year ended 31 December 2017

	Notes	Share capital US$'000	Share premium US$'000	Capital reserve US$'000	Hedge reserve US$'000	Foreign currency translation reserve US$'000	Retained accumulated deficit US$'000	Equity attributable to the owners of the Company US$'000	Non-controlling interests US$'000	Total US$'000
Balance at 1 January 2017		**4,205**	**158,632**	**25,124**	**(6,730)**	**(7,723)**	**(115,065)**	**58,443**	**1,793**	**60,236**
Actuarial gains recognised in post retirement benefit schemes:										
- gross	24	-	-	-	-	-	4,110	4,110	-	4,110
- tax		-	-	-	-	-	(518)	(518)	-	(518)
Cash flow hedge :										
- fair value losses in year	13	-	-	-	4,247	-	-	4,247	-	4,247
- transfers to fees and commissions	13	-	-	-	3,399	-	-	3,399	-	3,399
Currency translation differences		-	-	-	-	1,556	-	1,556	-	1,556
Net (losses)/profit recognised directly in equity		-	-	-	7,646	1,556	3,592	12,794	-	12,794
Profit for the year		-	-	-	-	-	3,346	3,346	201	3,547
Total comprehensive (loss) / income for the year		-	-	-	7,646	1,556	6,938	16,140	201	16,341
Dividends paid	8/21	-	-	-	-	-	-	-	(1,937)	(1,937)
Share based payments		-	-	-	-	-	(265)	(265)	-	(265)
Purchase of shares by the ESOT		-	-	-	-	-	289	289	-	289
Non-controlling interests:										
Exchange adjustment	21	-	-	-	-	-	-	-	359	359
Return of non-controlling interest	21	-	-	-	-	-	-	-	(126)	(126)
Balance at 31 December 2017		**4,205**	**158,632**	**25,124**	**916**	**(6,167)**	**(108,103)**	**74,607**	**290**	**74,897**

Consolidated statement of changes in equity for the year ended 31 December 2016

	Notes	Share capital US$'000	Share premium US$'000	Capital reserve US$'000	Hedge reserve US$'000	Foreign currency translation reserve US$'000	Retained accumulated deficit US$'000	Equity attributable to the owners of the Company US$'000	Non-controlling interests US$'000	Total US$'000
Balance at 1 January 2016		3,040	139,795	25,124	(1,522)	(10,354)	(209,073)	(52,990)	2,385	(50,605)
Actuarial gains recognised in post retirement benefit schemes										
- gross	24	-	-	-	-	-	(4,165)	(4,165)	-	(4,165)
- tax		-	-	-	-	-	424	424	-	424
Cash flow hedge :										
- fair value losses in year	13	-	-	-	(10,275)	-	-	(10,275)	-	(10,265)
- transfers to fees and commissions	13	-	-	-	5,067	-	-	5,067	-	5,067
Currency translation differences		-	-	-	-	(2,631)	-	2,631	-	2,631
Net losses/(profit) recognised directly in equity		-	-	-	(5,208)	(2,631)	(3,741)	(6,318)	-	(6,318)
Profit for the year		-	-	-	-	-	97,198	97,198	8,901	106,099
Total comprehensive (loss) / income for the year		-	-	-	(5,208)	(2,631)	93,457	90,880	8,901	99,781
Dividends paid	8/21	-	-	-	-	-	-	-	(8,020)	(8,020)
Issue of shares	20	1,165	18,837	-	-	-	-	20,002	-	20,002
Share based payments		-	-	-	-	-	(132)	(132)	-	(132)
Purchase of shares by the ESOT		-	-	-	-	-	724	724	-	724
Share issue to non-controlling interest	21	-	-	-	-	-	(41)	(41)	-	(41)
Non-controlling interests:										
Exchange adjustment	21	-	-	-	-	-	-	-	(249)	(348)
Return of non-controlling interest	21	-	-	-	-	-	-	-	(39)	(15)
Share issue to non-controlling interest	21	-	-	-	-	-	-	-	264	132
Held for sale entities with non-controlling interest	21	-	-	-	-	-	-	-	(167)	(167)
Disposal of subsidiary with non-controlling interests	21	-	-	-	-	-	-	-	(1,282)	(1,282)
Balance at 31 December 2016		4,205	158,632	25,124	(6,730)	(7,723)	(115,065)	58,443	1,793	60,236

Consolidated statement of cash flows
as at 31 December 2017

	Notes	Year Ended 31 December 2017 US$'000	Year Ended 31 December 2016 US$'000
Net cash used in operating activities	22	**(21,218)**	(50,356)
Cash flows from investing activities			
Purchase of property, plant and equipment	11	**(448)**	(1,512)
Purchase of other intangible assets	10	**(1,313)**	(207)
Proceeds from disposal of property, plant and equipment		**20**	215
Acquisition of businesses, (net of cash acquired)		**(126)**	(39)
Disposal of businesses, (net of cash disposed)		**31,836**	337,804
Held for sale reclassification, (net of cash reclassified)		**-**	(976)
Purchase of trade investments		**-**	(102)
Disposal of trade investments		**-**	1,399
Realised loss on derivative financial instruments		**(3,961)**	(7,114)
Net cash used in investing activities		**26,008**	329,468
Cash flows from financing activities			
Interest income derived from own funds	4	**87**	124
Purchase of shares by ESOT and EBT		**24**	(385)
Issue of ordinary shares		**-**	20,002
Receipts from new loans		**-**	14,020
Repayment of loans		**-**	(431,375)
Bank overdraft		**-**	(360)
Dividend paid to minority shareholders	21	**(1,937)**	(8,020)
Net cash used in financing activities		**(1,826)**	(405,994)
Net decrease in cash and cash equivalents		**2,964**	(126,882)
Cash and cash equivalents at beginning of year		**142,580**	274,469
Effects of exchange rate changes		**5,694**	(5,007)
Cash and cash equivalents at end of year	15	**151,238**	142,580

Accounting policies

Basis of preparation

The consolidated financial statements of Ed Broking Group Limited ('the Group') have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of available-for-sale investments and derivative instruments at fair value through the comprehensive statement of income. Accounting policies have been consistently applied.

The separate financial statements of Ed Broking Group Limited ('the Company') have been prepared in accordance with FRS 102 and the Companies Act 2006. A separate profit and loss account for Ed Broking Group Limited has not been presented as permitted by section 408 of the United Kingdom Companies Act 2006.

Basis of consolidation

The consolidated financial statements include those of Ed Broking Group Limited and its subsidiaries as at 31 December 2017.

Subsidiaries

An entity is regarded as a subsidiary if the Group:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its return.

The company reassesses whether or not it controls an investee if the facts and circumstances indicate there are changes to one or more of the elements of control listed above. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Business combinations

Business combinations have been accounted for by the purchase method of accounting. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition costs directly attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Executive Committee is the chief operating decision maker for the Group, as it makes strategic decisions and is responsible for allocating resources and assessing performance of the operating segments.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities in currencies other than the functional currency are translated at the rates of exchange prevailing at the balance sheet date and the related translation gains and losses are reported in the consolidated income statement within net finance costs / income. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing when the fair value was determined.

Foreign currency translation (continued)

Non-monetary assets and liabilities carried at historical cost that are denominated in foreign currencies are translated at the historical exchange rate.

On consolidation, the results of foreign entities are translated into US Dollars, the Group's presentational currency, at the average rate of exchange applicable to the relevant period. The assets and liabilities of the foreign entities are translated into US Dollars at the exchange rates ruling at the balance sheet date. Goodwill and fair value adjustments arising on the acquisition of an overseas business are treated as assets and liabilities of the foreign entity and translated at the closing rate; foreign exchange differences arising on consolidation are shown in the consolidated statement of comprehensive income.

Revenue

The Group generates revenue principally from commissions and fees associated with placing insurance and reinsurance contracts.

Revenue represents brokerage, fees, commissions and other related income net of payaway commissions to third parties. Revenue relating to insurance broking is recognised at the later of the inception date of the coverage or when the placement has been completed and confirmed. Where there is an expectation of future servicing requirements, an element of income relating to the policy is deferred to cover the associated contractual obligation. Fees and other income receivable are recognised in the period to which they relate or later when they can be measured with reasonable certainty.

In certain circumstances, where the revenue cannot be reliably measured at the contract or policy inception date, commissions and fees are recognised on a periodic basis when consideration becomes due. Commissions and fees relating to return and additional premiums or adjustments are recognised as they occur. Brokerage on multi-year policies that are non-cancellable is recognised at the date of inception of the risk. Brokerage on multi-year policies which can be cancelled or varied at the inception of the risk is apportioned on an annual basis.

Other income receivable is recognised in the period to which it relates or, if later, when it can be measured with reasonable certainty. Other income is all other income receivable not related to the placing of insurance and reinsurance contracts.

Investment income and interest expense

Investment income is recognised as earned and includes interest earned on cash flows arising from the settlement of insurance broking receivables and payables. Investment income derived from fiduciary funds forms an integral part of the Group's operating activities and is included as part of operating profit. Investment income derived from own funds is included below the operating profit line in 'Finance income'.

Interest expense incurred on borrowings is recognised in the income statements in 'Finance costs' and is calculated using the effective interest rate method. The calculation includes all transaction costs, fees and points paid between parties to the contract that are an integral part of the effective rate.

Operating leases

Rentals payable under operating leases are charged to the income statement as incurred over the lease term.

Non-recurring items ('exceptional items')

Income or expenditure in relation to events that are unusual due to their size or incidence are credited or charged to operating profit and classified under the appropriate heading in the income statement. Such items are disclosed separately as 'exceptional items' when they are considered material, in order that the effects of these items on operating profit can be fully appreciated.

Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Taxation (continued)

Deferred tax is recognised in respect of all temporary differences between the carrying value of assets and liabilities for reporting purposes and the corresponding bases used in the computation of taxable profit.

Deferred tax is calculated at the rate of tax expected to apply when the liability is settled or the asset is realised. A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against which the asset will be utilised. Deferred tax liabilities are only offset against deferred tax assets within the same taxable entity or qualifying local tax group where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Deferred tax balances are not discounted.

Share based payments

The share option programme allows Group employees to acquire shares of the ultimate parent company; these awards are granted by the ultimate parent. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at the grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

In accordance with the Articles of Association, employee shareholders of the Group are subject to certain restrictions over the sale of their shares. The existence of these restrictions results in the shares being captured by IFRS 2 "Share based payments". The Group has a choice of whether to acquire such shares from employees who choose to sell them or leave the Group. The Group is under no present obligation to do so either through the relevant rules of the Articles or as a result of stated policy or past practice. Accordingly these shares are accounted for as equity settled. Where these shares are acquired by employees at a value below the unrestricted fair market value, the difference is recognised as an employee expense, with a corresponding increase to equity, and spread over the vesting period.

Employee share ownership trust ('ESOT') and employee benefit trust ('EBT')

In 1997 Cooper Gay (Holdings) Limited (now Ed Broking Holdings (London) Limited) established an employee share ownership trust. The trustee is Cooper Gay (Employee Trust) (Jersey) Limited, a subsidiary, and its assets are held separately from those of the Group.

In 2009 Cooper Gay (Holdings) Limited now Ed Broking Holdings (London) Limited) established The Cooper Gay (Holdings) Limited Employee Benefit Trust, the trustees of which jointly own shares in the Company together with a small number of former employees.

Whilst the trustees have a fiduciary duty to act in the best interests of the beneficiaries of the trust, in practice the advice of Ed Broking Group Limited as to how the assets are used for the benefit of employees is generally accepted and the company bears the major risks and rewards of the assets held within the trust.

The financial statements of the trusts have been incorporated in the consolidated financial statements as subsidiaries.

Investments in the Company's own shares are held at cost and are included as a deduction from shareholders' equity. Purchases, sales and transfers of these shares are disclosed as changes in shareholders' equity.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition.

For acquisitions prior to 1 January 1998, any goodwill arising has been written off to reserves on consolidation. Following the adoption of IFRS, this goodwill will remain written off to reserves and no adjustment will be made on subsequent disposal. For acquisitions completed on or after 1 January 1998 and before 1 January 2007, goodwill is stated on the balance sheet at its amortised net book value. For acquisitions made after 1 January 2007, goodwill is stated on the balance sheet at historic cost to the extent that it does not arise on the acquisition of non-controlling interests. Goodwill in relation to the acquisition of non-controlling interests is written off to reserves.

Goodwill (continued)
Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purposes of impairment testing. Cash-generating units represent the lowest level of geographical and business unit combinations that the Group uses for internal reporting purposes. The gain or loss on disposal of an entity includes the carrying amount of any goodwill relating to the entity sold.

Transactions and non-controlling interests
The Group applies a policy of treating transactions with the owners of the non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the Group that are recorded in the income statement. Purchases from non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary. The goodwill arising from purchases of non-controlling interests is written off to retained earnings.

Other intangible assets
Other intangible assets comprise computer software, software development costs, trademarks, non-compete agreements and the purchase of contractual customer relationships to acquire the benefit of client contracts, intellectual property, information and business records. The acquisition of the contractual customer relationships provide the Group the exclusive right to represent and hold itself out as carrying on the business in succession and the right to act as broker to existing clients in respect of renewal of existing insurance and reinsurance policies and contracts and new insurance and reinsurance policies and contracts and to provide other insurance and reinsurance related services to existing clients.

Acquired software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. Costs associated with developing or maintaining computer software programmes are recognised as expenses as incurred. Software and software development costs recognised as assets are amortised on a straight line basis over their estimated useful lives (five years).

Trademarks and non-compete agreements are amortised over their useful lives of the assets and range from one to twenty five years. Contractual customer relationships are amortised to the income statement, on a straight line basis, over the life of the contract or their estimated useful life. The contractual customer relationships current maximum estimated useful life is between four and ten years.

The amortisation charge for the year is included in the income statement under 'Depreciation, amortisation and impairment charges'.

Impairment of assets
Assets that have an indefinite useful life, such as goodwill, are not subject to amortisation and are tested annually for impairment. Assets subject to amortisation are reviewed for impairment if events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

To the extent that the carrying amount exceeds the recoverable amount, which is the higher of net realisable value and value in use, the asset is written down to its recoverable amount. Net realisable value is the estimated amount at which an asset can be disposed of, less any direct selling costs. Value in use is the estimate of the discounted future cash flows generated from the asset's continued use, including those resulting from its ultimate disposal. For the purposes of assessing value in use, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Property, plant and equipment
Property, plant and equipment assets are stated at cost less accumulated annual depreciation. Cost includes the historic purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated so as to write off the cost of such assets on a straight-line basis over their estimated useful lives at the following annual rates:

- Leasehold improvements – over the term of the lease
- Furniture equipment and other – 10% to 20% per annum
- Computer equipment – 33% per annum
- Motor vehicles – 25% per annum

Financial assets
The Group classifies its financial assets as loans and receivables, held for sale and derivative financial instruments (see below). The classification depends upon the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. Loans and receivables are recognised at cost, being the fair value of the consideration together with any associated issue costs.

Assets are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than continuing use and a sale is highly probable. Assets designated as held for sale are held at the lower of carrying amount at designation and fair value less costs to sell.

Interest on deposits and interest-bearing investments is credited to the income statement as it is earned using the effective interest rate method.

Insurance broking assets and liabilities
Insurance brokers act as agents in placing the insurable risks of their clients with insurers and, as such, are not liable as principals for amounts arising from such transactions. Accordingly, receivables arising from insurance broking transactions are not included as an asset of the Group. Other than the receivable for fees and commissions earned on a transaction, no recognition of the insurance transaction occurs until the Group receives cash in respect of premiums or claims, at which time a corresponding liability is established in favour of the insurer or the client. In certain circumstances, the Group advances premiums, refunds or claims to insurance underwriters or clients prior to collection. These advances are reflected in the balance sheet as part of trade receivables.

Fiduciary cash arising from insurance broking transactions is included within cash and cash equivalents.

Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less impairment provision. An impairment provision is created when there is evidence that the Group will not be able to collect all amounts due. Significant financial difficulties of the debtor, dispute, default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within other operating costs. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating costs in the income statement.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, current account balances, bank deposits and other short-term liquid investments with maturity dates of ninety (90) days or less at the date of purchase. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Trade payables
Trade payables are initially recognised at fair value, which usually represents their cost, and subsequently measured at amortised cost.

Borrowings
Borrowings are initially recognised at fair value, which usually represents their cost, less the transaction costs that are directly attributable to the issue of the financial liability. Borrowings are subsequently stated at amortised cost using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Derivative financial instruments and hedging activities
The Group uses derivative financial instruments to manage exposure to foreign exchange risks and interest rates.

Derivative financial instruments include foreign exchange derivatives, interest rate derivatives and forward foreign exchange contracts that derive their value mainly from underlying interest rates and foreign exchange rates. Derivatives are initially recognised at fair value, which usually represents their cost, on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the hedged item.

The Group designates certain derivatives as hedges of a particular risk associated with a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and their hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 14. Movements on the hedging reserve are shown in the consolidated statement of comprehensive income. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income (hedge reserves). The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'finance income/finance costs'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of forward foreign exchange contracts is recognised in the income statement within 'fees and commissions'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'finance income/finance costs'.

Embedded derivatives are separated and measured at fair value if they are not considered as closely related to the host insurance contract. Fair value reflects own credit risk to the extent the embedded derivative is not fully collateralised.

Put options are initially recognised at fair value and are subsequently re-measured at their fair value through the income statement.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial instruments designated at fair value through the income statement

Trade investments are initially recognised at fair value, which represents cost and is subsequently re-measured at their fair value with any movements taken to the income statement.

Pension obligations

The Group operates defined benefit pension schemes. The pension liability recognised in the balance sheet is the present value of the scheme's liabilities less the fair value of the schemes' assets.

The pension cost for the scheme is analysed between current service cost, past service cost and net return on pension scheme. Current service cost is the actuarially calculated present value of the benefits earned by the active employees in each period. Past service costs, relating to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits, are recognised in the income statement on a straight-line basis over the period in which the increase in benefits vest.

Net expected return on the pension asset comprises the expected return on the pension scheme assets less interest on scheme liabilities.

The actuarial gains and losses which arise from a valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are taken to the consolidated statement of comprehensive income for the period. The attributable deferred taxation is shown separately in the consolidated statement of comprehensive income.

The Group also operates defined contribution pension schemes. Contributions made to the schemes in the year are charged to the income statement.

Provisions for liabilities and charges

A provision is recognised when there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Dividends

Dividends are recognised as a liability in the period in which the dividends are approved by the shareholders.

Financial and capital risk management

The Group's exposure to financial risks and its financial and capital management policies are detailed in the Strategic Report on pages 4 to 9.

Critical accounting estimates and judgements

Preparation of the financial statements requires certain estimates and assumptions to be made concerning future events that may affect the reported amounts in the financial statements and accompanying notes. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Consequently, the actual results can differ from these estimates.

Key estimates made by management are as follows:

i. Intangible assets (note 10)
   The contractual customer relationships, trademarks and non-compete agreements acquired are initially recognised at cost, which represents their initial fair value, and are amortised over the estimated useful lives of the assets purchased. Management determines the estimated useful lives and related amortisation charges at acquisition. The estimated useful lives are reviewed annually and the amortisation charge is revised where useful lives are subsequently found to be different to those previously estimated. The largest element of the intangible balance is the contractual customer lists. See the other intangible assets accounting policy (page 24) for the useful economic lives.

Critical accounting estimates and judgements (continued)

ii. Goodwill (note 9)

The Group tests goodwill annually for impairment in accordance with the accounting policy for "Impairment of assets" described above. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations are based on management assumptions and required the use of estimates (note 9). This determination requires significant judgement. In making this judgement, the Group evaluates the duration and extent to which fair value of an investment is less than its cost and the financial health of and near term business outlook for the investment, including factors such as industry and sector performance, changes in regional economies and operational and financing cash flows. Refer to note 9 for further information on these assumptions.

iii. Taxation (note 7)

The Group is subject to income taxes in the various jurisdictions in which it operates. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group calculates the deferred tax asset on unutilised tax losses based on future projections of net taxable profits over a five year period from 31 December 2017.

iv. Fair value of financial assets

The fair value of financial assets that are not traded in an active market is determined by reference to recent comparable transactions, when applicable. When no such comparison transactions exist, the financial asset is reviewed annually for impairment in accordance with the accounting policy "Impairment of assets" described above. The Group uses its judgement and makes assumptions that are mainly based on existing market conditions to determine whether the carrying value of the asset should be written down.

v. Pension obligations

Defined benefit pension schemes (note 24):

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the expected long-term rate of return on the relevant plans' assets, mortality assumptions and the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The expected return on plan assets assumption is determined on a uniform basis, taking into consideration long-term historical returns, asset allocation and future estimates of long-term investment returns. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions.

vi. Errors and omissions liabilities

In the ordinary course of the Group's business it can be subject to claims for errors and omissions made in connection with its broking activities. A balance sheet provision is established in respect of such claims when it is probable that the liability has been incurred and the amount of the liability can be reasonably estimated. The Group analyses its litigation exposures based on available information, including external legal consultation where appropriate, to assess its potential liability.

Standards, amendments to published standards and interpretations effective on or after 1 January 2018

At the date of authorisation of these financial statements, the following Standard and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- The final version of IFRS 9 'Financial Instruments' was issued in July 2014 and is effective for annual periods beginning on or after 1 January 2018. The Group is currently assessing the impact of IFRS 9 but it is not practicable to provide a reasonable estimate of the effect of this standard at this stage.

- IFRS 15 'Revenue from Contracts with Customers' was issued in May 2014 and addresses revenue recognition for customer contracts, with particular focus on aligning revenue recognition with the separate and distinct performance obligation to the customer. IFRS 15 applies to an annual reporting period beginning on or after 1 January 2018.

  The Group is going to apply IFRS 15 using the modified transitional method. The assessment of the impact is still ongoing and will continue into the second half of 2018. The different revenue streams and contract types throughout the Group have been identified and a few larger contracts have been assessed fully. Deloitte has been engaged to review our assessment and their expertise will continue to be utilised throughout the transition process.

  Our assessment to date has identified the impact on revenue streams where we currently recognise revenue on a cash basis, including profit commissions and proportional treaty income. Under IFRS 15 the 'best estimate' of revenue will need to be made up front. If there are any ongoing obligations then revenue will be deferred to meet these obligations.

  At this time, the Group is not able to conclude or quantify the overall impact of the new standard on revenues. The standard requires costs to be aligned with revenue recognition wherever possible and this is also being reviewed.

- IFRS 16 'Leases' was issued in January 2016 and is required to be applied for annual periods beginning on or after 1 January 2019. The standard requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The Group is yet to assess the full impact of IFRS 16 so it is not practicable to provide a reasonable estimate of the effect of this standard until a detailed review has been completed.

1. Segment analysis

In previous years, the segment information was provided on the basis of geographic regions, being the basis on which the Group managed its worldwide operations.

The segment information is now based on the Group's new structure for ongoing management of the business; London Broking, International Broking, Underwriting and Head Office.

Segment EBITDA (before exceptional items and share based payments)
Segment EBITDA (before exceptional items and share based payments) includes the net income or expense derived from trading activities of the segment together with the investment income earned on fiduciary funds. Interest income on the Group's own funds is excluded since the trading activities of the Group's primary segments are not of a financial nature. The interest income on the Group's own funds is included within net finance costs.

EBITDA is defined as operating profit/(loss) before depreciation, amortisation and impairment charges.

Segment assets include:

- Trade receivables
- Fiduciary and non-fiduciary funds

These are the only assets reviewed on a regular basis by the Group's management as they represent the significant assets with exposure to credit risk. All other assets are excluded from segmentation, including goodwill, other intangible assets, property, plant and equipment, derivative financial instruments and deferred taxes.

Segment liabilities include:

- Insurance creditors
- Provisions for liabilities and charges

These are the only liabilities reviewed on a regular basis by the Group's management (in conjunction with the segmental assets) as they represent the significant liabilities with exposure to credit and operational risk. All other liabilities are excluded from segmentation, including borrowings, derivative financial instruments, retirement benefit obligations and deferred taxes.

Other segment items include:

- Capital expenditure

Capital expenditure comprises additions to other intangible assets (computer software and software development costs) and property, plant and equipment.

1. Segment analysis (continued)

Year ended 31 December 2017	London Broking US$'000	International Broking US$'000	Underwriting US$'000	Head Office US$'000	Un-allocated US$'000	Total US$'000
Commissions and fees	65,096	14,041	8,478	-	-	87,615
Investment income	667	3	32	-	-	702
EBITDA (before exceptional items and share based payments)	2,216	1,959	945	(18,263)	-	(13,143)
Depreciation, amortisation and impairment	(302)	(382)	(378)	(9,369)	-	(10,431)
Exceptional items	(2,696)	(1,476)	-	(4,063)	-	(8,235)
Net finance costs						5,084
Loss before taxation						(26,725)
Income tax expense						(958)
Loss for the year						(27,683)
Profit for the year from discontinued operations						31,230
Profit for the year after tax and discontinued operations						3,547
Non-controlling interests						(201)
Net profit attributable to owners of the Company						3,346
Segment assets	99,412	31,467	19,409	27,869	-	178,157
Unallocated assets^					53,340	53,340
Total assets	99,412	31,467	19,409	27,869	53,340	231,497
Segment liabilities	69,531	20,722	14,069	144	-	104,466
Unallocated liabilities					52,134	52,134
Total liabilities	69,531	20,722	14,069	144	52,134	156,600
Other segment item:						
Capital expenditure	(769)	(685)	(259)	(48)	-	(1,761)

^ Being all remaining assets (excluding segmental assets) which relate to the operating segments disclosed above

1. Segment analysis (continued)

Year ended 31 December 2016	London Broking US$'000	International Broking US$'000	Underwriting US$'000	Head Office US$'000	Un-allocated US$'000	Total US$'000
Commissions and fees	69,184	16,611	7,153	-	-	92,948
Investment income	302	4	28	-	-	334
EBITDA (before exceptional items and share based payments)	9,216	(1,961)	707	(8,509)	-	(547)
Depreciation, amortisation and impairment	(257)	(358)	(4,852)	(13,561)	-	(19,028)
Exceptional items	(10,347)	(316)	(45)	(6,557)	-	(17,265)
Share based payments						(977)
Net finance costs						(13,719)
Loss before taxation						(51,536)
Income tax expense						779
Loss for the year						(50,757)
Profit for the year from discontinued operations						156,856
Profit for the year after tax and discontinued operations						106,099
Non-controlling interests						(8,901)
Net profit attributable to owners of the Company						97,198
Segment assets	110,077	36,869	9,361	19,117	-	175,424
Unallocated assets^					61,349	61,349
Total assets	110,077	36,869	9,361	19,117	61,349	236,773
Segment liabilities	83,308	18,330	5,361	144	-	107,143
Unallocated liabilities					69,394	69,394
Total liabilities	83,308	18,330	5,361	144	69,394	176,537
Other segment item:						
Capital expenditure	(295)	(1,286)	(98)	(40)	-	(1,719)

^ Being all remaining assets (excluding segmental assets) which relate to the operating segments disclosed above

1. Segment analysis (continued)

Supplementary segment analysis

Fees and commissions allocated above are based on structure for ongoing management of the business. The analysis below details the region from which the income is sourced.

Segment non-current assets are allocated based on the country in which they are located or occur and exclude derivative financial instruments and deferred tax assets.

	Year ended 31 December 2017		Year ended 31 December 2016	
	Fees & Commissions US$'000	**Segment non-current assets US$'000**	Fees & Commissions US$'000	Segment non-current assets US$'000
United Kingdom	9,595	36,766	7,437	35,435
North America	38,703	-	39,502	83
Asia and Australasia	13,300	1,302	23,009	7,727
Europe	18,643	3,621	6,332	3,988
Latin America	4,500	20	12,954	38
Rest of the World	2,874	-	3,714	-
	87,615	41,709	92,948	47,271
Unallocated assets		3,358		3,570
Total non-current assets		45,067		50,841

2. Operating loss

	Year Ended 31 December 2017 US$'000	Year Ended 31 December 2016 US$'000
Other operating income		
Other income	**3,455**	1,448
Total other operating income	**3,455**	1,448
Depreciation, amortisation and impairment charges		
Amortisation of intangible assets:		
- software and development costs	**269**	325
- books of business	**1,133**	4,124
Depreciation on property, plant and equipment:		
- owned assets	**536**	658
Impairment charges:		
- goodwill and other intangibles assets	**8,493**	13,921
Total depreciation, amortisation and impairment charges	**10,431**	19,028
Loss on disposal of property, plant and equipment and other intangibles	**17**	150
Other operating costs		
The following operating costs have been charged in arriving at operating profit:		
Operating lease rentals payable:		
land and buildings	**2,756**	4;249
furniture, equipment and motor vehicles	**236**	259
computer equipment and software	**80**	75
Sub-lease receipts		
land and buildings	**(202)**	-
Non-recurring items / exceptional items:		
Global restructuring costs	**859**	2,853
Transaction related costs[a]	**7,376**	14,412
Total exceptional items	**8,235**	17,265

[a] Transaction related costs relate to professional and legal costs incurred in refinancing, acquisitions and capital injection.

3. Investment income

	Year Ended 31 December 2017 US$'000	Year Ended 31 December 2016 US$'000
Interest receivable – fiduciary funds	**702**	334

Interest receivable includes only interest derived from fiduciary funds. Interest receivable from own funds is included in 'Finance income'.

4. Net Finance (costs) / income

	Year Ended 31 December 2017 US$'000	Year Ended 31 December 2016 US$'000
Interest receivable - own funds	**87**	30
Interest expense:		
- bank and other borrowings	**-**	(139)
Pension financing:		
- expected return on post employment scheme assets	**1,828**	2,414
- interest on post employment scheme liabilities	**(2,211)**	(2,903)
Net pension financing costs	**(383)**	(489)
Fair value losses on financial instruments:		
- fair value losses on hedging derivatives after recycling to income statement	**1,591**	(3,228)
	1,591	(3,228)
Foreign exchange differences:		
Foreign exchange gains on loans payable	**5,459**	1,613
Foreign exchange losses on other monetary items	**(1,631)**	(10,789)
	3,828	(9,176)
Other finance costs	**(39)**	-
Amortisation of borrowing costs	**-**	(717)
Net finance costs	**5,084**	(13,719)
Analysed as:		
Finance costs	**(422)**	(13,749)
Finance income	**5,506**	30
Net finance costs	**5,084**	(13,719)

5. Employees and directors' information

	Year Ended 31 December 2017 US$'000	Year Ended 31 December 2016 US$'000
a) Salaries and associated expenses		
Wages and salaries	**19,004**	15,235
Social security costs	**6,976**	5,934
Pension costs	**3,671**	3,814
Share based payments	**-**	977
	29,651	25,960

b) Analysis of employees
The monthly average number of persons, including Executive Directors, employed by the Group during the year:

	2017	2016
By activity:		
Broking and Insurance	**342**	342
Management and administration	**149**	192
	491	534

b) Key management compensation:
Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly. The Executive and Non-Executive Directors are considered to be key management. In 2017 there were 9 Directors (2016: 9).

	2017 US$'000	2016 US$'000
Salaries, fees and short term employee benefits	**3,219**	4,169
Post employment benefits	**9**	98
Termination, retention and transaction related benefits	**-**	16,266
Share based payments	**-**	-
	3,228	20,533
Highest paid Director:		
Total amount of emoluments (including termination, retention and transaction related benefits)	**1,263**	11,964
Share options exercised	**-**	-
Defined benefit scheme:		
Accrued pension at end of year	**-**	-

	2017	2016
Number of directors accruing benefits in a defined benefit scheme	-	-
Number of directors exercising share options	-	-
Number of directors granted share options	-	-
Aggregate number of share options exercised by management	-	-

5. Employees and directors' information (continued)

Share based payment schemes

During 2017, US$nil (2016: US$977,000) was charged to the income statement in respect of share-based payments.

Calculation of fair values

No share options/awards were granted in the year. Fair values of share options/awards, measured at the date of grant of the option/ award, are calculated using the latest valuation at the time of the grant.

All options granted under the share option schemes are conditional upon the employee remaining in the Group's employment during the vesting period of the option.

The weighted average of the fair value was calculated using the Monte Carlo simulation models.

Group Share Option Plan

The Group Share Option Plan was a long-term incentive plan available to certain employees during 2017. The aim of the plan was to align the interest of those certain employees to the creation of shareholder value. Options were granted at market value and are normally exercisable between four years and 7 months, and ten years and 1 month after the date of grant, subject to vesting conditions.

	2017		2016	
	Number	**Weighted average exercise price £**	Number	Weighted average exercise price £
Outstanding at 1 January	**295,252**	**0.26**	485,731	0.26
Lapsed	**(295,252)**	**0.26**	-	-
Forfeited	-	-	(190,479)	0.26
Outstanding at 31 December	-	**0.26**	295,252	0.26

Group Share Allocation Scheme

The Group Share Allocation Scheme was a long-term incentive plan available to certain former employees during 2017. The aim of the plan was to align the interest of certain employees to the creation of shareholder value. Shares were granted at market value and are normally exercisable at two years and 5 months, subject to vesting conditions.

The scheme remains in place for overseas employees.

	2017		2016	
	Number	**Weighted average exercise price £**	Number	Weighted average exercise price £
Outstanding at 1 January	**433,780**	**0.35**	433,780	0.35
Outstanding at 31 December	**433,780**	**0.35**	433,780	0.35

5. Employees and directors' information (continued)

Joint ownership equity scheme

The joint ownership equity scheme (JOE) was available to certain former employees during 2017. The aim of the plan was to align the interest of those employees to the creation of shareholder value. Some shares granted under the JOE scheme are subject to performance conditions and some are not. Shares were granted at market value and are normally exercisable at four years (performance conditions) and five years (no performance conditions), subject to vesting conditions.

	2017 No performance conditions		2016 No performance conditions	
	Number	**Weighted average exercise price £**	Number	Weighted average exercise price £
Outstanding at 1 January	**2,605,441**	**0.46**	2,605,441	0.46
Outstanding at 31 December	**2,605,441**	**0.46**	2,605,441	0.46

	2017 Performance conditions		2016 Performance conditions	
	Number	**Weighted average exercise price £**	Number	Weighted average exercise price £
Outstanding at 1 January	**10,869,154**	**0.46**	10,869,154	0.46
Outstanding at 31 December	**10,869,154**	**0.46**	10,869,154	0.46

2013 employee incentive scheme

The 2013 Employee Incentive Scheme (EIS) was available to certain employees during 2016 and 2017. The aim of the plan was to align the interest of certain employees to the creation of shareholder value. Some shares granted under the EIS scheme are subject to performance conditions and some are not. Shares were granted at an exercise price of $1.75 and are normally exercisable in equal tranches over four years (no performance conditions) and in four years (market performance conditions), subject to vesting conditions

2013 – Plan 1
No performance conditions

	2017		2016	
	Number	**Weighted average exercise price $**	Number	Weighted average exercise price $
Outstanding at 1 January	-	-	3,801,898	1.75
Cancelled	-	-	(3,801,898)	1.75
Outstanding at 31 December	-	-	-	1.75

2013 – Plan 2
Market performance conditions

	2017		2016	
	Number	**Weighted average exercise price $**	Number	Weighted average exercise price $
Outstanding at 1 January	-	-	3,801,921	1.75
Cancelled	-	-	(3,801,921)	1.75
Outstanding at 31 December	-	-	-	1.75

5. Employees and directors' information (continued)

2005 Equity Incentive Plan of HMSC Holdings Corp. ("HMSC")

The 2005 Equity Incentive Plan ("the Plan") was established to attract and retain employees by incentivising and rewarding performance. The options vest equally over a five year period from the date of grant.

	2017		2016	
	Number	**Weighted average exercise price $**	Number	Weighted average exercise price $
Outstanding at 1 January	-	-	1,496,151	1.23
Cancelled	-	-	(1,496,151)	1.23
Outstanding at 31 December	-	-	-	1.23

The Swett & Crawford Group Inc (S&C) Equity Incentive Plan

The S&C Equity Incentive Plan ("the Plan") was established to attract and retain employees by incentivising and rewarding performance. The Restricted Stock Units (RSU's) vest equally over a five year period from the date of grant.

	2017		2016	
	Number	**Weighted average exercise price $**	Number	Weighted average exercise price $
Outstanding at 1 January	**6,195,408**	-	6,278,742	-
Exercised	**(916,666)**	-	(83,334)	-
Outstanding at 31 December	**5,278,742**	-	6,195,408	-

NMB Long Term Incentive Plan

Upon the acquisition of NMB Holdings (1987) Limited, awards were made to certain employees of the expanded group in the form of a long term incentive plan. Under the terms of the awards, Ed would issue shares between the value of £0m and £10m where certain revenue targets for the acquired business are met in a 12 or 24 month period from the date of acquisition. The terms of the awards were modified in 2014, the issuance of shares is no longer attached to performance conditions, and instead Ed issued 7m Ed shares to eligible employees who were still employed at 31 October 2015 for employees and 8 February 2016 for members.

	2017		2016	
	Number	**Weighted average exercise price $**	Number	Weighted average exercise price $
Outstanding at 1 January	-	-	4,301,773	-
Forfeited	-	-	(432,008)	-
Exercised	-	-	(3,759,544)	-
Lapsed	-	-	(110,221)	-
Outstanding at 31 December	-	-	-	-

The fair value of the awards granted in the year was US$nil (2016: US$nil).

6. Services provided by the Group's auditor and network firms

During the year, the Group (including its overseas subsidiaries) obtained the following services from the company's auditor and its associates:

	Year Ended 31 December 2017 US$'000	Year Ended 31 December 2016 US$'000
Fees payable to company's auditor for the audit of parent company and consolidated financial statements	**328**	330
Fees payable to the Group's auditor and its associates for other services:		
The audit of the company's subsidiaries, pursuant to legislation	**340**	447
Other services	**171**	122
	839	899

7. Income Tax Expense

	Year Ended 31 December 2017 US$'000	Year Ended 31 December 2016 US$'000
Current tax expense:		
United Kingdom:		
Corporation tax on profits for the year	**-**	1
	-	1
Foreign tax:		
Current tax on income for the year	**362**	966
Over provided in prior years	**(3)**	(5)
	359	961
Total current tax	**359**	962
Deferred tax expense:		
Origination and reversal of temporary differences	**599**	(1,741)
Total deferred tax charge	**599**	(1,741)
Total income tax expense	**958**	(779)

7. Income Tax Expense (continued)

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	Year Ended 31 December 2017 US$'000	Year Ended 31 December 2016 US$'000
Loss before tax:	**(26,725)**	(51,536)
Tax calculated at UK Corporation Tax of 19.25% (2016: 20.00%)	**(5,145)**	(10,433)
(Non-taxable income/gains) and non-deductible expenses	**260**	1,888
Adjustments to tax charge in respect of prior periods	**(3)**	(5)
Effect of UK and non-UK tax rate differences	**149**	57
Unrecognised deferred tax adjustments*	**5,697**	7,714
Total income tax expense	**958**	(779)

**Comprising deferred tax asset on tax losses unrecognised.*

The standard rate of Corporation tax is 19.25%. Accordingly, the Group's losses for this accounting period are taxed at an effective rate of 19.25% (2016: 20.00%).

A 17% rate has been used in the calculation of the UK's deferred tax assets and liabilities as at 31 December 2017 (2016: 17%).

8. Dividends

No dividends were paid or declared during the year (2016: US$nil) by the Company. Dividends were paid by subsidiaries to non-controlling interests (see note 21).

9. Goodwill

	Gross Amount US$'000	**Impairment Losses US$'000**	**Net carrying Amount US$'000**
As at 31 December 2017			
Opening net book amount	**50,715**	**(16,042)**	**34,673**
Exchange differences	**5,536**	**(1,891)**	**3,645**
Impairment	**-**	**(8,493)**	**(8,493)**
Closing net book amount	**56,251**	**(26,426)**	**29,825**
As at 31 December 2016			
Opening net book amount	291,103	(4,752)	286,351
Exchange differences	(5,912)	35	(5,877)
Disposals of entities	(230,230)	23	(230,207)
Entities reclassified as held for sale	(4,246)	1,865	(2,381)
Impairment	-	(13,213)	(13,213)
Closing net book amount	50,715	(16,042)	34,673

9. Goodwill (continued)

Impairment tests for goodwill
Goodwill is allocated to the Group's cash generating units (CGUs) identified according to country of operation.

At 31 December 2017, before impairment testing, goodwill of $8,493,000 was allocated to the Continental Europe CGU, relating wholly to the German acquisition. This CGU was impaired fully in the year, mainly due to reduced profitability driven by lower premium rates in the German marine industry.

This CGU has therefore been reduced to its recoverable amounts. A summary of the impairments and revised carrying values are shown below by the Group's CGUs:

Geographical region	Impairment US$'000	Revised Carrying Value US$'000
Continental Europe	**8,493**	**-**

A summary of the goodwill allocation is presented below:

Geographical region	Total 2017 US$'000	2016 US$'000
UK	**29,592**	27,024
Continental Europe	**233**	7,649
As at 31 December	**29,825**	34,673

Goodwill is tested for impairment by comparing the carrying value of the CGU to which the goodwill relates to the recoverable value of that CGU. The recoverable amount is the value in use of the CGU unless otherwise stated. These calculations use cash flow projections based on financial budgets approved by management covering a 1 year period. Cash flows beyond the 1 year period are extrapolated over 5 years using the estimated growth rates stated below:

Key assumptions used for value-in-use calculations are as follows:

At 31 December	**2017**				2016			
	Growth Rate %		**Discount Rate %**		Growth Rate %		Discount Rate %	
	2-5 year period	**Long term**	**2-5 year period**	**Long term**	2-5 year period	Long term	2-5 year period	Long term
Geographical region:								
United Kingdom	**2.0**	**2.0**	**18.2**	**18.2**	2.0	2.0	16.8	16.8
Europe								
France	**5.0**	**2.0**	**18.2**	**18.2**	5.0	2.0	16.8	16.8
Germany	**1.5**	**0.0**	**18.2**	**18.2**	11.0	1.0	16.8	16.8

The key assumptions used in value-in-use calculations were:
The budgeted trading profit growth: management determines budgeted trading profit based on past experience and its expectations for the market development. The discount rates used are post-tax and determined by an external valuation of the Group, performed by Duff & Phelps in June 2017.

There is sufficient headroom with a 0% growth rate in the following CGUs: United Kingdom and Europe where the recoverable amount calculated based on the value in use exceeded carrying value by US$12m and US$3m respectively.

10. Other intangible assets

	Contractual customer relationships acquired [1] US$'000	Computer software US$'000	Software development costs US$'000	Total US$'000
At 31 December 2017				
Opening net book amount	**5,146**	**146**	**2,141**	**7,433**
Exchange differences	**437**	**28**	**326**	**791**
Additions	**-**	**670**	**643**	**1,313**
Disposals	**-**	**-**	**(13)**	**(13)**
Companies disposed of (note 23)	**-**	**(37)**	**(8)**	**(45)**
Amortisation charge	**(1,133)**	**(138)**	**(132)**	**(1,403)**
Closing net book amount	**4,450**	**669**	**2,957**	**8,076**
At 31 December 2017				
Cost	**29,274**	**1,809**	**8,907**	**39,990**
Accumulated amortisation and impairment	**(24,824)**	**(1,140)**	**(5,950)**	**(31,914)**
Closing net book amount	**4,450**	**669**	**2,957**	**8,076**
At 31 December 2016				
Opening net book amount	49,824	1,498	2,915	54,237
Exchange differences	(1,272)	(4)	(76)	(1,352)
Additions	-	72	135	207
Disposals	(990)	(291)	(15)	(1,296)
Companies held for sale	(1,957)	(4)	-	(1,961)
Companies disposed of	(33,583)	(879)	(641)	(35,103)
Amortisation charge	(6,168)	(246)	(177)	(6,591)
Impairment	(708)	-	-	(708)
Closing net book amount	5,146	146	2,915	7,433
At 31 December 2016				
Cost	28,315	1,823	8,746	38,157
Accumulated amortisation and impairment	(23,169)	(1,677)	(5,831)	(30,724)
Closing net book amount	5,146	146	2,915	7,433

[1] *includes trademarks, contractual customer relationships and non-compete arrangements.*

11. Property, plant and equipment

	Leasehold Improvements US$'000	Computer Equipment US$'000	Furniture Equipment & other US$'000	Motor vehicles US$'000	Total US$'000
At 31 December 2017					
Opening net book amount	**131**	**536**	**386**	**60**	**1,113**
Exchange differences	**12**	**55**	**41**	**4**	**112**
Additions	**170**	**121**	**157**	**-**	**448**
Companies disposed of (note 23)	**(2)**	**(11)**	**(24)**	**-**	**(37)**
Disposals	**5**	**12**	**(7)**	**(47)**	**(37)**
Charge for year	**(98)**	**(300)**	**(124)**	**(17)**	**(539)**
Closing net book amount	**218**	**413**	**429**	**-**	**1,060**
At 31 December 2017					
Cost	**4,945**	**3,076**	**2,727**	**-**	**10,748**
Accumulated depreciation	**(4,727)**	**(2,663)**	**(2,298)**	**-**	**(9,688)**
Closing net book amount	**218**	**413**	**429**	**-**	**1,060**
At 31 December 2016					
Opening net book amount	6,012	812	3,917	360	11,101
Exchange differences	(11)	(39)	(23)	(27)	(100)
Additions	150	343	810	209	1,512
Companies held for sale	(133)	(13)	(77)	-	(223)
Companies disposed of	(5,117)	(43)	(3,807)	(324)	(9,291)
Disposals	(254)	(10)	(36)	(65)	(365)
Charge for year	(516)	(514)	(398)	(93)	(1,521)
Closing net book amount	131	536	386	60	1,113
At 31 December 2016					
Cost	4,597	3,237	2,689	76	10,599
Accumulated depreciation	(4,466)	(2,701)	(2,303)	(16)	(9,486)
Closing net book amount	131	536	386	60	1,113

The net book value of property, plant and equipment held under finance leases was US$nil at 31 December 2017 (2016: US$nil).

Property, plant and equipment's carrying value approximates its fair value.

12. Trade investments

	2017 US$'000	2016 US$'000
Trading investments carried at fair value		
Shares	**159**	150
	159	150

The shares included above represent investment in unlisted equity securities with opportunity for return through trading gains.

13. Derivative financial instruments

	2017		2016	
	Assets	**Liabilities**	Assets	Liabilities
	US$'000	**US$'000**	US$'000	US$'000
Forward foreign exchange contracts – Cash flow hedge	**-**	**1,797**	-	9,191
Forward foreign exchange contracts	**2,255**	**-**	3	-
	2,255	**1,797**	3	9,191
Current	**1,176**	**1,612**	3	6,017
Non-current	**1,079**	**185**	-	3,174
	2,255	**1,797**	3	9,191

The credit quality of derivative assets can be assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates:

	Year Ended 31 December 2017 US$'000	Year Ended 31 December 2016 US$'000
BB	**916**	-
BBB	**1,339**	-
A	**-**	3
	2,255	3

The table below analyses the Group's derivative financial instruments which will be settled on a gross basis, into relevant maturity grouping based upon the remaining period at the balance sheet date to contractual maturity. The amounts disclosed are the contractual undiscounted cash flows.

	Less than 1 year US$'000	**Between 1 and 2 years US$'000**	**Between 2 and 5 years US$'000**	**Total US$'000**
31 December 2017				
Forward foreign exchange contracts				
Outflows	**(43,622)**	**(32,379)**	**(17,921)**	**(93,922)**
Inflows	**42,931**	**32,453**	**17,593**	**92,977**

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Total US$'000
31 December 2016				
Forward foreign exchange contracts				
Outflows	(35,908)	(17,155)	(8,076)	(61,139)
Inflows	29,754	14,406	7,233	51,393

13. Derivative financial instruments (continued)

The Group's treasury policies are approved by the Board. The policies and procedures in place establish specific guidelines to manage currency risk, liquidity risk and interest rate risk and the use of counterparties and financial instruments to manage these.

The Group uses various derivative instruments including forward foreign exchange contracts, interest rate contracts and foreign currency derivatives to manage the risks arising from variations in currency and interest earnings that arise from movements in exchange and interest rates. Derivative instruments purchased are primarily dominated in the currencies of the Group's main markets.

Transactions maturing within 12 months of the balance sheet date are classified in current maturities. Transactions maturing in a period in excess of 12 months of the balance sheet date are classified as non-current maturities.

a) Forward Foreign Exchange Contracts
The Group's major currency transaction exposures arise in Sterling and Euros and the Group continues to adopt a prudent approach in actively managing this exposure. As at 31 December 2017 the Group had outstanding foreign exchange contracts (US Dollars, British Pounds and Euros) amounting to a principal value of US$93.9m (2016: US$61.1 m).

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 48 months. Gains and losses recognised in the hedging reserve in equity (refer to consolidated statement of changes in equity) on forward foreign exchange contracts as of 31 December 2017 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement.

b) Foreign currency derivatives
The Group uses foreign currency derivatives to hedge currency exposures arising in Sterling and Euros and the Group continues to adopt a prudent approach in actively managing this exposure.

c) Price risk
The Group does not have a material exposure to commodity price risk.

14. Trade and other receivables

	2017 US$'000	2016 US$'000
Trade receivables	**26,919**	32,844
Less: impairment provision	**(1,665)**	(1,324)
Trade receivables - net	**25,254**	31,520
Other receivables	**6,795**	7,446
Prepayments	**4,013**	5,681
	36,062	44,647
Analysed as:		
Current	**33,473**	40,745
Non-current	**2,589**	3,902
	36,062	44,647

As at 31 December 2017, the Group had exposures to individual trade counterparties within trade receivables. In accordance with Group policy, Group operating companies continually monitor exposures against individual clients. No individual trade counterparty credit exposure is considered significant in the ordinary course of trading activity. Management does not expect any significant losses from non-performance by trade counterparties with exception of those where a provision has already been established.

The trade and other receivables carrying amount approximates its fair value.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The group does not hold any collateral as security.

Movements on the Group provision for impairment of trade receivables are as follows:

	2017 US$'000	2016 US$'000
At 1 January	**(1,324)**	(4,908)
Currency translation adjustments	**(196)**	263
Provisions relating to entities disposed of	**17**	2,556
Provisions made for receivables impairment	**(363)**	(304)
Receivables written off during the year as uncollectible	**14**	161
Provisions released	**187**	908
At 31 December	**(1,665)**	(1,324)

	Trade receivables US$'000	**Impairment provision US$'000**	**Net trade receivables US$'000**
At 31 December 2017			
Not overdue	**7,403**	**-**	**7,403**
Past due not more than three months	**12,969**	**-**	**12,969**
Past due more than three months and not more than six months	**3,135**	**-**	**3,135**
Past due more than six months	**3,412**	**(1,665)**	**1,747**
	26,919	**(1,665)**	**25,254**
At 31 December 2016			
Not overdue	10,051	-	10,051
Past due not more than three months	11,205	-	11,205
Past due more than three months and not more than six months	5,671	(16)	5,655
Past due more than six months	5,917	(1,308)	4,609
	32,844	(1,324)	31,520

15. Cash and cash equivalents

	2017 **US$'000**	2016 US$'000
Cash at bank and in hand	**150,163**	142,580
Restricted cash	**1,075**	-
	151,238	142,580
Fiduciary	**108,365**	106,270
Own funds	**42,873**	36,310
	151,238	142,580

The cash and cash equivalents carrying amount approximates its fair value.

Restrictions
Own funds of US$4,960,000 held in the UK, Asia and Australia are restricted and arise primarily from compliance with regulatory requirements to hold minimum levels of liquidity within insurance broking subsidiaries.

16. Trade and other payables

	2017 **US$'000**	2016 US$'000
Insurance creditors	**103,280**	105,940
Social security and other taxes	**2,158**	1,487
Accruals and deferred income	**26,104**	30,193
Other payables	**5,628**	7,383
	137,170	145,003
Analysed as:		
Current	**137,170**	141,902
Non-current	-	3,101
	137,170	145,003

The trade and other payables carrying amount approximates its fair value.

17. Financial Instruments by category

The accounting policies for financial instruments have been applied to the line items below:

At 31 December 2017 **Assets per balance sheet**	**Loans and receivables** **US$'000**	**Financial assets at fair value through the income statement** **US$'000**	**Total** **US$'000**
Trade investments	-	159	159
Derivative financial instruments	-	2,255	2,255
Trade and other receivables	36,062	-	36,062
Cash and cash equivalents	151,238	-	151,238
	187,300	**2,414**	**189,714**

At 31 December 2017 **Liabilities per balance sheet**	**Financial liabilities at fair value through equity** **US$'000**	**Financial liabilities at cost/ amortised cost** **US$'000**	**Total** **US$'000**
Trade and other payables	-	137,170	137,170
Derivative financial instruments	1,797	-	1,797
	1,797	**137,170**	**138,967**

At 31 December 2016 Assets per balance sheet	Loans and receivables US$'000	Financial assets at fair value through the income statement US$'000	Total US$'000
Trade investments	-	150	150
Derivative financial instruments	-	3	3
Trade and other receivables	44,647	-	44,647
Held for sale	-	2,000	2,000
Cash and cash equivalents	142,580	-	142,580
	187,227	2,153	189,380

At 31 December 2016 Liabilities per balance sheet	Financial liabilities at fair value through equity US$'000	Financial liabilities at cost/ amortised cost US$'000	Total US$'000
Trade and other payables	-	145,003	145,003
Derivative financial instruments	9,191	-	9,191
	9,191	145,003	154,194

17. Financial Instruments by category (continued)

Fair Value Estimation

1. Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets traded on liquid markets are determined with reference to quoted market prices. The fair values of other financial assets and liabilities (excluding derivative instruments) are derived by assessing the discounted cash flow expected to be derived including an impairment provision, where necessary.

The fair values of derivative financial instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives and option pricing models for optional derivatives. Foreign currency contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves from quoted interest rates.

2. Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair value is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market used for financial assets held by the group is the current mid-price. These instruments are included in Level 1.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value is derived using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

17. Financial Instruments by category (continued)

This category includes certain unlisted equity securities and derivative financial instruments. Specific valuation techniques used to value these financial instruments include:

- Quoted market prices or dealer quotes for similar financial instruments
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31 December 2017				31 December 2016			
	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Financial assets at fair value through income statement								
Derivative financial assets	-	**2,255**	-	**2,255**	-	3	-	3
Trade investments	**159**	-	-	**159**	150	-	-	150
Financial liabilities at fair value through equity								
Derivatives used for hedging	-	**(1,797)**	-	**(1,797)**	-	(9,191)	-	(9,191)

There were no transfers between Level 1 and 2 in the period (2016: nil).

17. Financial Instruments by category (continued)

The following table presents changes in Level 3 instruments for the year ended 31 December 2017.

31 December 2017	**Derivatives at fair value through the income statement US$'000**	**Trade Investments at fair value through the income statement US$'000**	**Total US$'000**
Opening balance	-	-	-
Closing balance	-	-	-
Total gains and losses for the period included in profit and loss for liabilities held at the reporting period under 'unwind of discounting on deferred contingent consideration'	-	-	-
Change in unrealised gains or losses for the period included in the liabilities held at the reporting period	-	-	-

31 December 2016	Derivatives at fair value through the income statement US$'000	Trade Investments at fair value through the income statement US$'000	Total US$'000
Opening balance	(978)	-	(978)
Exchange differences	86	-	86
Gains and losses recognised in the profit or loss	892	-	892
Closing balance	-	-	-
Total gains and losses for the period included in profit and loss for liabilities held at the reporting period under 'unwind of discounting on deferred contingent consideration'	892	-	892
Change in unrealised gains or losses for the period included in the liabilities held at the reporting period	978	-	978

The fair value measurement would be sensitive to the change in the discount rate. The expectation is that there will be no change to the discount rate in the future.

18. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income tax relates to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet.

	31 December 2017			31 December 2016		
	Assets US$'000	**Liabilities US$'000**	**Net US$'000**	Assets US$'000	Liabilities US$'000	Net US$'000
Accelerated tax depreciation	**-**	**-**	**-**	42	-	42
Deferred income	**-**	**(261)**	**(261)**	-	(722)	(722)
Pensions	**2,279**	**-**	**2,279**	3,528	-	3,528
Tax assets / (liabilities)	**2,279**	**(261)**	**2,018**	3,570	(722)	2,848
Set off tax	**-**	**-**	**-**	-	-	-
Net tax assets / (liabilities)	**2,279**	**(261)**	**2,018**	3,570	(722)	2,848

	At 1 January 2017 US$'000	**Exchange differences US$'000**	**Charge/ (credit) to income US$'000**	**Charge/ (credit) to equity US$'000**	**Disposal of subsidiary (note 23) US$'000**	**At 31 December 2017 US$'000**
Accelerated tax depreciation	**(42)**	**-**	**2**	**-**	**40**	**-**
Deferred income	**722**	**53**	**(514)**	**-**	**-**	**261**
Pensions	**(3,528)**	**(359)**	**1,111**	**497**	**-**	**(2,279)**
Net tax (assets) / liabilities	**(2,848)**	**(306)**	**599**	**497**	**40**	**(2,018)**

	At 1 January 2017 US$'000	Exchange differences US$'000	Charge/ (credit) to income US$'000	Charge/ (credit) to equity US$'000	Disposal of subsidiary US$'000	Held for sale US$'000	At 31 December 2017 US$'000
Accelerated tax depreciation	(91)	(2)	51	-	-	-	(42)
Provisions	(303)	-	-	-	303	-	-
Deferred income	2,962	(147)	(1,516)	-	(661)	84	722
Pensions	(3,180)	303	(227)	(424)	-	-	(3,528)
Net tax (assets) / liabilities	(612)	154	(1,692)	(424)	(358)	84	(2,848)

18. Deferred income taxes (continued)

Deferred tax assets are recognised for some overseas operations for tax losses to the extent that the realisation of the related tax benefits through the future taxable profits is considered probable. In respect of the UK, a deferred tax asset has been recognised in respect of the UK pension scheme (note 24), which will unwind gradually over time to the extent that it is considered probably that the UK will have taxable profits.

A deferred tax asset of US$25.1m (2016: US$22.0m) has not been recognised in the balance sheet in respect of certain Group operations, principally in the United Kingdom (2016: United Kingdom and the United States of America) where it is considered that the losses are unlikely to be utilised in the foreseeable future.

19. Provisions for liabilities and charges

	Litigation provisions US$'000	**Deferred consideration US$'000**	**Other provisions US$'000**	**Total US$'000**
At 1 January 2017	**144**	**-**	**1,060**	**1,204**
Exchange adjustment	**5**	**-**	**-**	**5**
Charged/ (credited) to the income statement	**68**	**-**	**(82)**	**(14)**
Paid/utilised in the year	**(8)**	**-**	**-**	**(8)**
At 31 December 2017	**209**	**-**	**978**	**1,187**

	Litigation provisions US$'000	Deferred consideration US$'000	Other provisions US$'000	Total US$'000
At 1 January 2016	1,340	6,957	1,489	9,786
Exchange adjustment	(36)	-	(20)	(56)
Entities disposed of	(976)	(3,431)	-	(4,407)
Entities reclassified as held for sale	-	2,235	-	(2,235)
Charged/ (credited) to the income statement	(106)	-	(263)	(369)
Paid/utilised in the year	(77)	(1,291)	(147)	(1,515)
At 31 December 2016	145	-	1,059	1,204

Analysis of total provisions:	**2017 US$'000**	2016 US$'000
Non-current: to be utilised in over 1 year	**-**	38
Current: to be utilised within 1 year	**1,187**	1,166
	1,187	1,204

19. Provisions for liabilities and charges (continued)

Litigation provisions
The Group is subject to various claims and legal proceedings principally consisting of alleged errors and omissions in connection with the placement of insurance / reinsurance and consulting services. A balance sheet provision is established in respect of such claims when it is probable that the liability has been incurred and the amount of the liability can be reasonably estimated. The Group analyses its litigation exposures based on available information, including external legal consultation where appropriate, to assess its potential liability. Where appropriate, the Group also provides for the cost of defending such matters. The value of the litigation provision may be revised from time to time prior to final settlement.

Deferred consideration
Provision is made in respect of additional consideration payable following the completion of an acquisition. The value of the deferred consideration may be revised from time to time prior to final settlement.

Other provisions
Provisions made reflecting an unexpired risk reserve relating to contracts placed in the London Market.

20. Equity attributable to owners of the Company

Share Capital	2017 Number of shares	2017 Nominal values US$'000s	2016 Number of shares	2016 Nominal values US$'000s
At 31 December				
Authorised				
Deferred shares of 1p each	**10,730,457**	**172**	10,730,457	172
Non-redeemable voting ordinary shares of 1p each	**212,570,620**	**3,405**	212,570,620	3,405
Redeemable voting ordinary shares of 1p each	**17,142,857**	**275**	17,142,857	275
Special share of 1p each	**1**	**-**	1	-
Non-voting ordinary share of 1p each	**21,634,831**	**346**	21,634,831	346
Total at 31 December	**262,078,766**	**4,198**	262,078,766	4,198
Allotted, called up and fully paid				
Deferred shares of 1p each	**10,730,457**	**163**	10,730,457	163
Non-redeemable voting ordinary shares of 1p each	**274,938,477**	**4,042**	274,938,477	4,042
Total share capital at 31 December	**285,668,934**	**4,205**	285,668,934	4,205

20. Equity attributable to owners of the Company (continued)

Share Capital	2017 Number of shares	2017 Nominal values US$'000s	2016 Number of shares	2016 Nominal values US$'000s
Movement during year of allotted, called up and fully paid:				
Deferred shares of 1p each				
At 1 January	**10,730,457**	**163**	10,730,457	163
At 31 December	**10,730,457**	**163**	10,730,457	163
Non-redeemable voting ordinary shares of 1p each				
At 1 January	**274,938,477**	**4,042**	177,645,620	2,601
Issued during the year	-	-	80,075,000	1,165
Transferred from redeemable during the year	-	-	17,142,857	275
At 31 December	**274,938,477**	**4,042**	274,938,477	4,042
Redeemable voting ordinary shares of 1p each				
At 1 January	-	-	17,142,857	275
Transferred to non-redeemable during the year	-	-	(17,142,857)	(275)
At 31 December	-	-	-	-

Purchases of shares by the ESOT and EBT are deducted against retained earnings; see Note 26 Employee Share Ownership Trust (ESOT) and Employee Benefit Trust (EBT).

Reserves

Share premium

The share premium arises from the issue of shares in excess of nominal value. Amounts held within this reserve cannot be distributed to shareholders by way of dividend.

Capital reserve

The capital reserve was created on the formation of Ed Broking Group Limited. The analysis of this reserve is shown in the consolidated statement of changes in equity.

Hedge reserve

The change in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the hedge reserve. The analysis of these reserves is shown in the consolidated statement of changes in equity.

Foreign currency translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentational currency (US Dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. The analysis of this reserve is shown in the consolidated statement of changes in equity.

Retained accumulated deficit

The analysis of this reserve is shown in the consolidated statement of changes in equity.

Share based payments

In accordance with the Articles of Association, employee shareholders of the group are subject to certain restrictions over the sale of their shares. Such shares represent 6.98% of the shares in issue at the balance sheet date. The existence of these restrictions results in the shares being captured by IFRS 2 "Share based payments".

An employee shareholder, who either applies to sell shares by approval of the Board, or leaves the Group, is obliged to follow a tiered pre-emption sale structure set out in the Articles. The Group has a choice of whether to acquire such employees' shares in these circumstances. In the opinion of the directors the Group is under no present obligation to do so either through the relevant rules of the Articles or as a result of stated policy or past practice. Accordingly, these shares are accounted for as equity settled.

21. Non-controlling interests

	Year Ended 31 December 2017 US$'000	Year Ended 31 December 2016 US$'000
At 1 January	**1,793**	2,385
Exchange adjustment	**359**	(249)
Non-controlling interest change in shareholding	**(126)**	(1,224)
Profit for the year	**201**	8,901
Dividends	**(1,937)**	(8,020)
At 31 December	**290**	1,793

The non-controlling interests relate wholly to the subsidiary in France.

The total non-controlling interest in relation to the partners of Ed Broking Holdings LLP and Ed Broking LLP at 31 December 2017 was US$nil (2016: US$1,666,000). In early 2017, the capital of Ed Broking Holdings LLP was returned to individual partners and these partners then became employees of Ed Broking LLP.

22. Cash flows from operating activities

	Notes	**Year Ended 31 December 2017 US$'000**	Year Ended 31 December 2016 US$'000
Cash flows from operating activities (including discontinued)			
Loss before tax		**4,506**	108,118
Interest income receivable	3/4	**(789)**	(521)
Interest payable on bank loans		**-**	144
Fair value gains on financial instruments		**1,808**	8,295
Pension financing net expense		**383**	489
Amortisation of borrowing costs	4	**-**	717
Depreciation on property, plant and equipment	2	**539**	1,521
Amortisation of intangible assets	2	**1,403**	6,591
Impairment of intangible assets and goodwill	2	**8,493**	13,921
Loss on disposal of intangibles	2	**13**	1,296
Amortisation of share based payments		**-**	977
(Gain)/loss on disposal of property, plant and equipment	2	**17**	150
Other non operating items		**-**	7,305
Held for sale reclassification		**-**	(1,821)
Profit on disposal of subsidiaries		**(31,269)**	(174,246)
Loss on disposal of trade investments		**-**	280
Decrease in trade and other receivables		**25,723**	6,140
(Decrease)/ increase in trade and other payables		**(32,485)**	(13,673)
Increase in provisions for liabilities and charges		**(22)**	(1,883)
Decrease in retirement benefit obligation		**399**	(3,656)
Cash generated by operations		**(21,281)**	(39,856)
Interest paid		**-**	(5,361)
Interest received	3	**702**	397
Tax paid - Overseas tax paid		**(639)**	(5,536)
Net cash used in operating activities		**(21,218)**	(50,356)

23. Discontinued Operations

The Company disposed of the following entities during the year:

	Country of Incorporation	% Share-holding	Date of Disposal	Profit/(loss) for the year from discontinued operations US$'000
Creechurch International Underwriters Limited	Canada	100%	3 Feb	**32,420**
Brazil Group				
- CGSC Holding Brasil Ltda	Brazil	100%	14 June	
- Cooper Gay do Brasil Ltda	Brazil	100%	14 June	
- Swett & Crawford Consultoria Ltda	Brazil	100%	14 June	
- JLD Assessoria e Consultoria de Seguros Ltda	Brazil	99.99%	14 June	
- Agencia Central Minas de Seguros Ltda	Brazil	80%	14 June	
- Junge Corretora de Seguros Ltda	Brazil	99.9%	14 June	
- Casa De Assessoria Do Corretor, Administracao e Consultoria em Seguros s/s, Ltda	Brazil	51%	14 June	
- Nova Casa Do Corretor, Assessoria, Administracao e Consultoria em Seguros Ltda	Brazil	51%	14 June	
- GECAD Consultoria E Assessoria Em Seguros Ltda-Epp	Brazil	100%	14 June	
Total for Brazil Group				**(1,190)**
Total profit for the year from discontinued operations				**31,230**

Disposal of Creechurch International Underwriters Limited

The following table analyses the profit for the year relating to the disposal of Creechurch International Underwriters Limited for the period 1 January to disposal on 3 February 2017 and the year end 31 December 2016.

	Period Ended 3 February 2017 US$'000	Year Ended 31 December 2016 US$'000
Commissions and fees	**639**	6,499
Other operating costs	**(675)**	(3,845)
Depreciation, amortisation and impairment charges	**(3)**	(40)
Operating (loss)/profit	**(39)**	2,614
Analysed as:		
Operating (loss)/profit before exceptional items	**(39)**	2,614
Exceptional items	**-**	-
Operating (loss)/profit	**(39)**	2,614
Finance costs	**(4)**	(5)
Finance income	**5**	78
Net finance income	**1**	73
(Loss)/profit before tax from discontinued operations	**(38)**	2,687
Income tax expense	**(1)**	(714)
(Loss)/profit after tax from discontinued operations	**(39)**	1,973
Gain on disposal of discontinued operations	**32,459**	-
Profit for the year from discontinued operations	**32,420**	1,973

23. Discontinued Operations (continued)

The following table analyses the cash flows relating to the disposal of Creechurch International Underwriters Limited included in the consolidated cash flow statement for the period 1 January to disposal on 3 February 2017 and the year end 31 December 2016.

	Period Ended 3 February 2017 US$'000	Year Ended 31 December 2016 US$'000
Net cash generated from operating activities	**(30)**	3,336
Net cash used by investing activities	**-**	(33)
Net cash used by financing activities	**5**	78
Net cash generated from the disposal of discontinued operations	**31,026**	-
Effect of foreign exchange rate changes	**22**	45
Net increase in cash and cash equivalents	**31,023**	3,426

The following table analyses the gain on disposal of Creechurch International Underwriters Limited.

	As at 3 February 2017 US$'000	As at 31 December 2016 US$'000
Non-current assets		
Other intangible assets	**45**	45
Property, plant and equipment	**37**	38
Trade and other receivables	**102**	-
Deferred tax assets	**38**	39
	222	122
Current assets		
Trade and other receivables	**2,664**	3,508
Current tax asset	**190**	122
Cash and cash equivalents	**3,619**	3,622
	6,473	7,252
Current liabilities		
Trade and other payables	**(4,509)**	(5,172)
	(4,509)	(5,172)
Net current assets	**1,964**	2,080
Net assets	**2,186**	2,202
Cash consideration	**34,591**	
Transaction costs	**(521)**	
Foreign currency translation reserve reclassified to the income statement	**575**	
Net assets disposed	**(2,186)**	
Gain on disposal of discontinued operations	**32,459**	

23. Discontinued Operations (continued)

Disposal of Brazil Group

The Brazil Group was Held for Sale at the year end 31 December 2016 as Brazilian regulatory approval was not received until 14 June 2017. The fair value of the Held for Sale asset was valued at the agreed sales consideration of $2.0m.

In January 2017, Ed no longer satisfied the criteria under IFRS 10 'Consolidated Financial Statements' to maintain control of the Brazilian Group. Due to the loss of control, the Brazilian loss for the period 01/01/2017 – 14/06/2017 was not consolidated into the Ed Group's results.

The following table analyses the profit for the year end 31 December 2016.

	Period Ended 14 June 2017 US$'000	Year Ended 31 December 2016 US$'000
Commissions and fees	-	3,829
Investment income	-	63
Other operating income	-	1
Other operating costs	-	(5,671)
Depreciation, amortisation and impairment charges	-	(46)
Operating loss	-	(1,824)
Analysed as:		
Operating loss before exceptional items	-	(1,824)
Exceptional items	-	-
Operating loss	-	(1,824)
Finance costs	-	(792)
Finance income	-	16
Net finance costs	-	(776)
Loss before tax from discontinued operations	-	(2,600)
Income tax expense	-	(86)
Loss after tax from discontinued operations	-	(2,686)
Loss on disposal of discontinued operations	**(1,190)**	-
Loss for the year from discontinued operations	**(1,190)**	(2,686)

The following table analyses the cash flows relating to the disposal of the Brazil Group for the year end 31 December 2016.

	Period Ended 14 June 2017 US$'000	Year Ended 31 December 2016 US$'000
Net cash generated from operating activities	-	(7,323)
Net cash used by investing activities	-	(65)
Net cash used by financing activities	-	16
Net cash generated from the disposal of discontinued operations	**810**	(976)
Effect of foreign exchange rate changes	-	380
Net increase/(decrease) in cash and cash equivalents	**810**	(7,968)

23. Discontinued Operations (continued)

The following table analyses the net assets of the Brazil Group and the gain on disposal.

	At 31 December 2016 and 14 June 2017 US$'000
Non-current assets	
Goodwill	2,381
Other intangible assets	1,966
Property, plant and equipment	223
Deferred tax assets	84
	4,654
Current assets	
Trade and other receivables	5,597
Current tax assets	336
Cash and cash equivalents	976
	6,909
Current liabilities	
Trade and other payables	(8,976)
Provisions for liabilities and charges	(1,239)
	(10,215)
Net current liabilities	(3,306)
Non-current liabilities	
Provisions for liabilities and charges	(996)
	(996)
Net assets	352
Brazil Group valued at the Held for Sale Value of $2m	2,000
Cash consideration	1,000
Transaction costs	(246)
Foreign currency translation reserve reclassified to the income statement	56
Disposal of Held for Sale asset	(2,000)
Loss on disposal of discontinued operations	(1,190)

24. Retirement benefit obligations

The Group operates a number of pension schemes throughout the world. The principal pension schemes are in the United Kingdom ('UK'): the Cooper Gay Defined Contribution Scheme and the Cooper Gay Defined Benefit Scheme. In addition to the UK, the Group operates other defined benefit pension schemes for some employees in Germany. Pension schemes that hold assets are held in a separately administered fund.

Since October 2001, new joiners in the U.K. are generally eligible to join the Cooper Gay Defined Contribution Scheme. Contributions to the scheme are charged to the income statement so as to spread the cost of pensions over the employees working lives with the entity. The cost of the contributions to the group scheme amount to US$2,625,000 (2016: US$2,771,000) being between 5% and 17.5% of pensionable salary.

In addition to the UK scheme, five (2016: five) overseas subsidiaries operate non-contributory defined contribution pension schemes covering all eligible employees. Contributions are at the discretion of the directors of those companies based on a percentage of eligible salary. The charge for the year was US$538,000 (2016: US$612,000).

The Group pension costs for the year are comprised as follows:

	31 December 2017			31 December 2016		
	UK	**Overseas**	**Total**	UK	Overseas	Total
	US$'000	**US$'000**	**US$'000**	US$'000	US$'000	US$'000
Defined benefit schemes	**424**	**467**	**891**	474	509	983
Defined contribution schemes	**2,625**	**538**	**3,163**	2,771	612	3,383
	3,049	**1,005**	**4,054**	3,245	1,121	4,366

UK and German defined benefit scheme

The Group operates defined benefit pension plans for qualifying employees in the UK and Germany, which provide benefits to members at retirement and on death in service. The UK defined benefit plans are administered by a separate fund that is legally separated from the entity. The Board of the UK pension fund comprises representatives from both employers and plan participants. The Board of the UK pension fund is required by law and their articles of association to act in the best interest of the fund and of all relevant stakeholders of the scheme. The Board of the UK pension fund is responsible for the investment policy with regard to the assets of the funds.

In Germany there is no separate fund or legally separate entity for their pension scheme, and the liability for the scheme accrues on the statement of financial position for each member until retirement, at which point benefits are paid from the Company.

The schemes are exposed to a number of risks, including:

- Investment risk (for UK only): movement of discount rate used by reference to high quality corporate bond yields against the return from plan assets;
- Interest rate risk (for both UK and Germany): Decreases in the discount rate used will increase the defined benefit obligation;
- Longevity risk (for both UK and Germany): changes in the estimation of mortality rates of current and former employees; and
- Salary risk (for Germany only): increase in future salaries increase gross defined benefit obligations.

Employees not participating in the defined benefit schemes in the UK are eligible to join a defined contribution scheme.

24. Retirement benefit obligations (continued)

The principal assumptions made in the valuations as at 31 December 2017 and prior years were as follows:

	Note	31 December 2017 UK Scheme	31 December 2017 German Scheme	31 December 2016 UK Scheme	31 December 2016 German Scheme
Rate of increase in salaries		-	2.50%	-	2.50%
Rate of increase in pension payments	a	3.25%	1.75%	3.25%	1.75%
Discount rate		2.50%	1.90%	2.70%	1.70%
Inflation rate		3.15%	1.75%	3.20%	1.75%
Revaluation rate for deferred pensioners		3.25%	n/a	3.25%	n/a
Expected return on plan assets	b	2.50%	n/a	2.70%	n/a
Mortality - life expectancy at age 65 for male member:	c	23.4	19	23.6	19
Mortality - life expectancy at age 65 for female member:	c	24.2	23	24.4	23

a) UK Scheme - Limited Price Indexation to a maximum of 5%, minimum 3%.
b) The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the end of the reporting year. Expected returns on equity reflect the long-term real rates of return experienced in the respective markets.
c) Mortality assumptions for the UK scheme are based on Club Vita mortality tables with future improvements based on the CMI2016 model with a long term rate of 1.25%. Mortality assumptions for the German scheme are based on the Heubeck 2005 G tables.

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

UK Scheme	Change in assumption	Impact on defined benefit obligation: Increase in assumption US$'000	Impact on defined benefit obligation: Decrease in assumption US$'000
Discount rate	0.50%	6,216	(7,124)
Inflation	0.50%	(442)	104
Mortality	1 Year	(3,294)	3,295

German Scheme	Change in assumption	Impact on defined benefit obligation: Increase in assumption US$'000	Impact on defined benefit obligation: Decrease in assumption US$'000
Rate of increase in salaries	0.50%	(0)	0
Discount rate	0.50%	92	(98)
Inflation	0.25%	(44)	42
Mortality	1 Year	(122)	107

24. Retirement benefit obligations (continued)

The above sensitivities are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at 31 December 2017) has been applied to when calculating the pension liability recognised within the statement of financial position.

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

	UK Scheme		**German scheme**		**Total**	
	2017	2016	**2017**	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Present value of funded obligations	**(73,204)**	(73,229)	**(15,941)**	(15,050)	**(89,145)**	(88,279)
Fair value of plan assets	**72,978**	68,018	**-**	-	**72,978**	68,018
Net liability recognised in the balance sheet	**(226)**	(5,211)	**(15,941)**	(15,050)	**(16,167)**	(20,261)

The movement in the defined benefit liability over the year is as follows:

	Obligations	**Assets**	**Total**	Obligations	Assets	Total
	2017	**2017**	**2017**	2016	2016	2016
	US$'000	**US$'000**	**US$'000**	US$'000	US$'000	US$'000
Opening balance as at 1 January	**(88,279)**	**68,018**	**(20,261)**	(96,553)	76,524	(20,029)
Current service cost	**(508)**	**-**	**(508)**	(494)	-	(494)
Interest income / (cost)	**(2,211)**	**1,828**	**(383)**	(3,106)	2,617	(489)
	(2,719)	**1,828**	**(891)**	(3,600)	2,617	(983)
Remeasurements:						
Return on plan assets, excluding amounts included in interest costs	**-**	**2,894**	**2,894**	-	11,981	11,981
Loss from change in demographic assumptions	**2,083**	**-**	**2,083**	888	-	888
Gain / (loss) from change in financial assumptions	**(2,015)**	**-**	**(2,015)**	(16,506)	-	(16,506)
Experience gain/(loss)	**1,039**	**-**	**1,039**	(528)	-	(528)
	1,107	**2,894**	**4,001**	(16,146)	11,981	(4,165)
Exchange differences	**(8,761)**	**6,409**	**(2,352)**	13,636	(12,870)	766
Employer contributions	**-**	**2,784**	**2,784**	-	2,899	2,899
Actual benefit payments	**9,507**	**(8,955)**	**552**	14,384	(13,133)	1,251
Closing balance as at 31 December	**(89,145)**	**72,978**	**(16,167)**	(88,279)	68,018	(20,261)

24. Retirement benefit obligations (continued)

The analysis of the fair value of the scheme assets is as follows:

	31 December 2017			31 December 2016		
	Long-term rate of return %	**Value US$'000**	**%**	Long-term rate of return %	Value US$'000	%
Equities	**2.50%**	**3,700**	**5.07%**	2.70%	9,638	14.17%
Bonds	**2.50%**	**18,356**	**25.15%**	2.70%	6,522	9.59%
Other assets	**2.50%**	**49,784**	**68.22%**	2.70%	45,122	66.34%
Cash	**2.50%**	**1,138**	**1.56%**	2.70%	6,736	9.9%
		72,978	**100.00%**		68,018	100.00%

The expected employer contributions to the defined benefit schemes for the year ending 31 December 2017 is US$2,831,924. The Group is committed to paying US$2,592,768 per annum for the next 7.5 years to reduce the deficit.

25. Commitments

Operating lease commitments - where a Group company is the lessee

The group leases various offices under non-cancellable operating lease agreements. The lease terms are between 1 and 10 years, and the majority of lease arrangements are renewable at the end of the lease at market rate.

The group also leases various plant, property and equipment under cancellable operating lease agreements. The group is required to give up to 3 months' notice for the termination of these agreements. The lease expenditure is charged to the income statement during the year.

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

	Year Ended 31 December 2017 US$'000	Year Ended 31 December 2016 US$'000
Not later than 1 year	**3,808**	4,373
Later than 1 year and not later than 5 years	**4,961**	6,700
Later than 5 years	**26**	-
	8,795	11,073

25. Commitments (continued)

Legal and other loss contingencies

The Company and its subsidiaries are subject to various claims and legal proceedings principally consisting of alleged errors and omissions in connection with the placement of insurance / reinsurance and consulting services.

IFRS requires that liabilities for contingencies are recorded when it is probable that a liability has been incurred on or before the balance sheet date and the amount can be reasonably estimated. Significant management judgement is required to comply with this guidance. The Group analyses its litigation exposure based on available information, including external legal consultation where appropriate to assess its potential liability.

On the basis of present information, amounts already provided, availability of insurance coverage and legal advice received, it is the opinion of management that the disposition or ultimate determination of such claims will not have a material adverse effect on the consolidated financial statements of the Group. However, amounts subject to claims can be material and it is possible that future results of operations or cash flows for any year could be materially affected by an unfavourable resolution to these matters.

At 31 December 2017, the Group had contingent liabilities in respect of guarantees and letters of credit on behalf of Group companies amounting to US$nil (2016: US$3.3m).

26. Employee Share Ownership Trust (ESOT) & Employee Benefit Trust (EBT)

As at 31 December 2017, the ESOT held 8,940,876 (2016: 9,214,456) non-redeemable voting ordinary shares, 10,718,378 (2016: 10,718,378) deferred shares in Ed Broking Group Limited. The estimated fair value of these shares is US$1,788,176 (2016: US$2,672,192).

As at 31 December 2017, the EBT held 13,474,595 (2016: 13,474,595) non-redeemable voting ordinary shares in Ed Broking Group Limited. The estimated fair value of these shares is US$8,301,058 (2016: US$7,580,616). These are the only assets of the EBT and are held for shares issuable in respect of the Joint Ownership Equity Scheme. The fair value of these shares is fixed to the scheme exercise price, see Note 5 for further details.

27. Principal subsidiary companies

The following were the principal subsidiary entities at 31 December 2017. Unless otherwise shown, the capital of each company is wholly-owned, is in ordinary shares and the principal country of operation is the country of incorporation / registration.

Principal Subsidiaries	Country of Incorporation /Registration	Nature of business	Proportion of shares held by parent	Proportion of shares held by Group (%)	Proportion of shares held by non-controlling interest (%)
Ed Broking Holdings (London) Limited	England	Intermediate holding company	100%	100%	-
Owned through Ed Broking Holdings (London) Limited:					
Ed Broking (UK) Limited	England	Intermediate holding company	-	100%	-
Ed Broking (London) Limited [1]	England	Insurance and reinsurance Intermediary	-	100%	-
Globe Underwriting Limited [4]	England	Underwriting Agency	-	100%	-
Cooper Gay (Employee Trust) (Jersey) Limited	Jersey	ESOT	-	100%	-
Cooper Gay (Employee Benefit Trust) Limited	Jersey	EBT	-	100%	-
Ed Broking Holdings (2016) Limited	England	Intermediate holding company	-	100%	-
Ed Broking (2016) Limited [2]	England	Intermediate holding company	-	100%	-
Ed Broking Holdings LLP [3]	England	Intermediate holding company	-	100%	-
NMB Beijing Consulting Company [4]	China	Reinsurance intermediary	-	100%	-
Ed Broking LLP [4]	England	Insurance and reinsurance Intermediary	-	100%	-
Junge Versicherungsmakler Holding GmbH	Germany	Intermediate holding company	-	100%	-
Junge & Co. Versicherungsmakler GmbH [5]	Germany	Insurance Intermediary	-	100%	-
Gunther Lubsen GmbH[6]	Germany	Underwriting Agency	-	100%	-
Cooper Gay (France) SASU	France	Insurance and reinsurance Intermediary	-	80%	20%
Ed Broking (Asia) Pte Limited	Singapore	Reinsurance Intermediary	-	100%	-
Cooper Gay (Australia) Pty Limited [7]	Australia	Reinsurance Intermediary	-	100%	-
Ed Broking (Hong Kong) Limited [7]	Hong Kong	Reinsurance Intermediary	-	100%	-
CGSC Holdings (Australia) Pty Ltd	Australia	Intermediate holding company	-	100%	-
Epsilon Insurance Broking Services Pty Ltd [8]	Australia	Managing General Agent	-	100%	-
Cooper Gay (MENA) Ltd	Dubai	Reinsurance Intermediary	-	100%	-
Cooper Gay Russia Ltd	Russia	Dormant			
Ed Broking Holdings, Inc.	USA	Intermediate holding company	-	100%	-
Ed Broking Miami Inc.	USA	Insurance and reinsurance Intermediary	-	100%	-
Cooper Gay Cayman	Cayman Islands	Insurance and reinsurance Intermediary	-	100%	-

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

1 Owned through Ed Broking (UK) Limited
2 Owned through Ed Broking Holdings (2016) Limited
3 Owned through Ed Broking (2016) Limited
4 Owned through Ed Broking Holdings LLP
5 Owned through Junge Versicherungsmakler Holding GmbH
6 Owned through Junge & Co. Versicherungsmakler GmbH
7 Owned through Ed Broking (Asia) Pte Limited
8 Owned through CGSC Holdings (Australia) Pty Limited

28. Events after the reporting date

In July 2018, BMO Harris Bank N.A. provided Ed with a Revolving Credit Facility of US$10m. This facility is supported by a guarantee from Lightyear Capital III LLC; a related party of the Group.

29. Related party transactions

EC3 Union Holdings Limited ('EC3') is a related party by virtue of its shareholding and representation on the Board of Directors. During the year, the Group paid expenses of US$0.8m (2016: US$0.8m) to Lightyear Capital III LLC ('Lightyear'), a related party of EC3, for services provided. Services are provided on normal commercial terms and conditions. As at the 31 December 2017, US$0.2m (2016: US$0.2m) was due to Lightyear.

MDS, SGPS, SA (MDS) is a related party by virtue of its shareholding and representation on the Board of Directors. During the year, the Group received commission of US$nil (2016: US$nil) relating to insurance transactions conducted in the normal course of business with the Sonae Group of which MDS is a subsidiary. As at the 31 December 2017, US$0.2m was due to (2016: US$0.1m) the Sonae Group. During the year, the Group paid expenses of US$0.1m (2016: US$nil) to MDS Group for services provided. Services are provided on normal commercial terms and conditions. As at the 31 December 2017, US$0.2m (2016: US$0.1m) was due to MDS.

30. Ultimate controlling party

The Company is under the ultimate control of EC3 Union Holdings Limited by virtue of its controlling shareholding in the company.

Ed Broking Group Limited
Company Financial Statements as at 31 December 2017

Prepared in accordance with FRS 102

Balance Sheet
As at 31 December 2017

	Notes	2017 US$'000	2016 US$'000
Fixed assets			
Investments in subsidiaries	b	**69,902**	69,902
		69,902	69,902
Current assets			
Debtors	c	**84,571**	83,893
Cash at bank and in hand		**708**	9,566
		85,279	93,459
Creditors – amounts falling due within one year	d	**(14,027)**	(19,664)
Net current liabilities		**71,252**	73,795
Net assets		**141,154**	143,697
Capital and reserves			
Called up share capital	e	**4,205**	4,205
Share premium account	e	**158,632**	158,632
Profit and loss account	e	**(21,683)**	(19,140)
Total equity		**141,154**	143,697

The Accounting Policies and Notes on pages 71 to 72 form an integral part of these financial statements.

The financial statements on pages 69 to 72 were approved by the Board and signed on its behalf on 2 August 2018 by:

Stephen Hearn
Chief Executive Officer

Statement of Changes in Equity
For the year ended 31 December 2017

	Share capital	Share premium	Capital reserve	Profit and loss account	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2017	**4,205**	**158,632**	**-**	**(19,140)**	**143,697**
Profit for the financial year	-	-	-	(2,278)	(2,278)
Share based payments	-	-	-	(265)	(265)
At 31 December 2017	**4,205**	**158,632**	**-**	**(21,683)**	**141,154**

	Share capital	Share premium	Capital reserve	Profit and loss account	Total
At 1 January 2016	3,040	139,795	84,106	(23,564)	203,377
Profit for the financial year	-	-	-	5,539	5,539
New share issued	1,165	18,837	-	-	20,002
Share based payments	-	-	-	(1,115)	(1,115)
Impairment of investments	-	-	(84,106)	-	(84,106)
At 31 December 2016	4,205	158,632	-	(19,140)	143,697

Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. These separate entity level financial statements have been produced on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards. A summary of the principal accounting policies is set out below.

The financial statements accounting policies have been consistently applied.

Some disclosure requirements have been satisfied by cross referral to the IFRS financial statements.

Foreign currencies

Foreign currency transactions are translated into US Dollars using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at rates of exchange ruling at the balance sheet date. Exchange differences arising on translation are taken directly to the profit and loss reserve.

Taxation

The charge for taxation is based on the result for the year at current rates of tax and takes into account deferred tax. Full provision for deferred tax, without discounting, is made for all timing differences that have arisen but not reversed at the balance sheet date.

Consolidated financial statements

Separate consolidated financial statements have been prepared and are presented on pages 15 to 67.

Subsidiary and associates

Investments in subsidiaries and associates are stated in the balance sheet for the Company at cost less any provisions for impairment.

Investment income

Interest on deposits and interest bearing investments is credited as it is earned.

Dividends distribution

Dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date. Final dividends are recognised as a charge to shareholders' funds once approved and interim dividends are charged once paid.

Cash flow statement

The Company is exempt under the terms of FRS 1 from the requirement to publish its own cash flow statement, as its cash flows are included within the consolidated cash flow statement of the Group.

a. Profit and loss account

The Company has taken advantage of the exemption contained in Section 408 of the Companies Act 2006 not to present its own profit and loss account. The loss for the year recognised in the Company Profit and Loss Account is US$2,279,000 (2016: loss US$5,539,000).

b. Investments in subsidiaries

	US$'000
Cost	
At 1 January 2017	**69,902**
At 31 December 2017	**69,902**
Cost	
At 1 January 2016	255,011
Disposals of entities	(17,216)
Impairment	(167,893)
At 31 December 2016	69,902

c. Debtors

	2017 US$'000	2016 US$'000
Amounts owed by group undertakings	**84,511**	83,760
Other debtors	**60**	105
Prepayments and accrued income	**-**	28
	84,571	83,893

d. Creditors - amounts falling due within one year

	2017 US$'000	2016 US$'000
Amounts owed to group undertakings	**9,211**	7,040
Other payables	**328**	-
Accruals and deferred income	**4,489**	12,624
	14,028	19,664

e. Called up share capital and reserves

Details of the reserves are given in the Statement of Changes in Equity, on page 70. Details of the Company's share capital are given in note 20 on pages 54 and 55.

f. Financial risk management

Details of the Financial Risk Management for the Company are given in the Strategic Report on page 4.

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Ed.