

EC3 Brokers Limited

Report and Financial Statements

Year Ended

31 December 2017

Company Number 08735214

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EC3 Brokers Limited

Company Information

Directors	D Driscoll M Fletcher S Harvey H Cheetham
Registered number	08735214
Registered office	3rd Floor Cutlers Court Houndsditch London EC3A 7BR
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

EC3 Brokers Limited

Contents

	Page
Group strategic report	1
Directors' report	2 - 3
Independent auditor's report	4 - 6
Consolidated statement of comprehensive income	7
Consolidated statement of financial position	8
Company statement of financial position	9
Consolidated statement of changes in equity	10
Company statement of changes in equity	11
Consolidated Statement of cash flows	12
Notes to the financial statements	13 - 32

EC3 Brokers Limited

Group strategic report for the year ended 31 December 2017

Business review

The company has continued its success from its first 3 years of trading and seen continued growth in its trading. Top line revenue has increased by 14% to £9.2m (2016: £8.1m) as new teams brought in start to make a positive impact, whilst existing clients continue to grow with us. EBITDA has decreased marginally to £2.4m (2016 £2.5m) once adjusted for foreign exchange gains and losses, as the company continues to bring in new teams to help increase its product portfolio and drive new business opportunities.

Principal risks and uncertainties

The main risks arising from the company's financial instruments are credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and are summarised below:

Credit risk

The company's principle financial assets are cash and trade debtors. The credit risk associated with the cash is limited as the company's bankers are well established and have high credit ratings assigned by international credit rating agencies. The principle credit risk arises from its trade debtors. Credit performance is reviewed by the Accounts and Finance teams, including the Finance Director on an on-going basis in conjunction with aged debt, repayment performance and previous payment history. This risk is split over numerous customers.

Liquidity Risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Financial key performance indicators

The directors consider top line brokerage and earnings before interest, tax and depreciation to be the group's key performance indicators.

Based on the current reporting period of trading and forecasted performance the directors are confident that the company has more than adequate resources to continue operating for the foreseeable future. On these grounds the directors have adopted the going concern basis in preparation of these accounts.

This report was approved by the board and signed on its behalf.



.....
D Driscoll
Director

Date: 28 September 2018

EC3 Brokers Limited

Directors' report for the year ended 31 December 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Directors' responsibilities

The directors are responsible for preparing the group strategic report, the directors' report and the consolidated 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 elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group 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 for the group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and to 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.

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £1,664,689 (2016 - £2,046,718).

The directors do not recommend the payment of a final dividend (2016 - £130,000).

Directors

The directors who served during the year were:

D Driscoll
M Fletcher
C Giles (resigned 14 December 2017)
S Harvey
H Cheetham

EC3 Brokers Limited

Directors' report (continued) for the year ended 31 December 2017

Matters covered in the strategic report

As permitted by paragraph 1A of schedule 7 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008, certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the strategic report on page 1. These matters relate to the principal activity of the company, the principal risks that it faces and future developments.

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the group's auditor is aware of that information.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.


.....
D Driscoll
Director

Date: 28 September 2018

EC3 Brokers Limited

Independent auditor's report to the members of EC3 Brokers Limited

Opinion

We have audited the financial statements of EC3 Brokers Limited ("the parent company") and its subsidiaries ("the group") for the year ended 31 December 2017 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group 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.

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.

EC3 Brokers Limited

Independent auditor's report to the members of EC3 Brokers Limited (continued)

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 this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if in our opinion;

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

Responsibilities of directors

As explained more fully in the directors' responsibilities, 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 determines 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.

EC3 Brokers Limited

Independent auditor's report to the members of EC3 Brokers Limited (continued)

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 at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

BDO LLP

John Perry (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date:

28 September 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

EC3 Brokers Limited

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

	Note	2017 £	2016 £
Turnover	4	9,170,974	8,074,943
Gross profit		9,170,974	8,074,943
Administrative expenses		(7,004,393)	(5,418,431)
Operating profit	5	2,166,581	2,656,512
Interest receivable and similar income	8	7,319	6,500
Interest payable and similar expenses	9	-	(13,946)
Profit before taxation		2,173,900	2,649,066
Tax on profit	10	(509,211)	(602,348)
Profit for the financial year		1,664,689	2,046,718
Currency translation differences		(46,546)	3,455
Other comprehensive income for the year		(46,546)	3,455
Total comprehensive income for the year		1,618,143	2,050,173
Profit for the year attributable to:			
Non-controlling interests		(35,190)	(51,787)
Owners of the parent company		1,699,879	2,098,505
		1,664,689	2,046,718

There were no recognised gains and losses for 2017 or 2016 other than those included in the consolidated statement of comprehensive income.

The notes on pages 13 to 32 form part of these financial statements.

EC3 Brokers Limited
Registered number: 08735214

**Consolidated statement of financial position
as at 31 December 2017**

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	12	49,204	94,597
Tangible assets	13	30,264	35,763
		<u>79,468</u>	<u>130,360</u>
Current assets			
Debtors	15	4,330,227	3,622,295
Cash at bank and in hand	16	1,993,819	996,327
		<u>6,324,046</u>	<u>4,618,622</u>
Creditors: amounts falling due within one year	17	(2,233,539)	(2,186,114)
Net current assets		<u>4,090,507</u>	<u>2,432,508</u>
Total assets less current liabilities		<u>4,169,975</u>	<u>2,562,868</u>
Deferred taxation	19	(4,994)	(16,030)
Net assets		<u><u>4,164,981</u></u>	<u><u>2,546,838</u></u>
Capital and reserves			
Share capital	20	140,000	140,000
Retained earnings	21	4,007,900	2,466,222
Equity attributable to owners of the parent company		<u>4,147,900</u>	<u>2,606,222</u>
Non-controlling interests		17,081	(59,384)
		<u><u>4,164,981</u></u>	<u><u>2,546,838</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


D. Driscoll
Director

Date: 28 September 2018

The notes on pages 13 to 32 form part of these financial statements.

EC3 Brokers Limited
Registered number: 08735214

**Company statement of financial position
as at 31 December 2017**

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	12	31,700	59,591
Tangible assets	13	29,491	34,703
Investments	14	399,945	1
		<u>461,136</u>	<u>94,295</u>
Current assets			
Debtors	15	4,315,898	3,869,081
Cash at bank and in hand	16	1,845,265	875,662
		<u>6,161,163</u>	<u>4,744,743</u>
Creditors: amounts falling due within one year	17	(2,232,041)	(2,149,192)
Net current assets		<u>3,929,122</u>	<u>2,595,551</u>
Total assets less current liabilities		<u>4,390,258</u>	<u>2,689,846</u>
Deferred taxation	19	(4,994)	(16,030)
Net assets		<u><u>4,385,264</u></u>	<u><u>2,673,816</u></u>
Capital and reserves			
Share capital	20	140,000	140,000
Profit and loss account brought forward		2,533,816	537,310
Profit for the year		1,711,448	2,126,506
Other changes in the profit and loss account		-	(130,000)
Profit and loss account carried forward		<u>4,245,264</u>	<u>2,533,816</u>
		<u><u>4,385,264</u></u>	<u><u>2,673,816</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


.....
D Driscoll
Director

Date: 28 September 2018

The notes on pages 13 to 32 form part of these financial statements.

EC3 Brokers Limited

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

	Share capital £	Retained earnings £	Non-controlling interests £	Total equity £
At 1 January 2017	140,000	2,466,222	(59,384)	2,546,838
Profit for the year	-	1,699,879	(35,190)	1,664,689
Currency translation differences	-	(46,546)	-	(46,546)
Total comprehensive income for the year	-	1,653,333	(35,190)	1,618,143
Additional investment in subsidiaries	-	(111,655)	111,655	-
Total transactions with owners	-	(111,655)	111,655	-
At 31 December 2017	140,000	4,007,900	17,081	4,164,981

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

	Share capital £	Retained earnings £	Non-controlling interests £	Total equity £
At 1 January 2016 (as previously stated)	90,000	310,428	(7,597)	392,831
Prior year adjustment	-	183,834	-	183,834
At 1 January 2016 (as restated)	90,000	494,262	(7,597)	576,665
Profit for the year	-	2,098,505	(51,787)	2,046,718
Currency translation differences	-	3,455	-	3,455
Total comprehensive income for the year	-	2,101,960	(51,787)	2,050,173
Dividends	-	(130,000)	-	(130,000)
Shares issued during the year	50,000	-	-	50,000
Total transactions with owners	50,000	(130,000)	-	(80,000)
At 31 December 2016	140,000	2,466,222	(59,384)	2,546,838

The notes on pages 13 to 32 form part of these financial statements.

EC3 Brokers Limited

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

	Share capital £	Retained earnings £	Total equity £
At 1 January 2017	140,000	2,533,816	2,673,816
Comprehensive income for the year			
Profit for the year	-	1,711,448	1,711,448
At 31 December 2017	140,000	4,245,264	4,385,264

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

	Share capital £	Retained earnings £	Total equity £
At 1 January 2016 (as previously stated)	90,000	353,476	443,476
Prior year adjustment	-	183,834	183,834
At 1 January 2016 (as restated)	90,000	537,310	627,310
Comprehensive income for the year			
Profit for the year	-	2,126,506	2,126,506
Contributions by and distributions to owners			
Dividends	-	(130,000)	(130,000)
Shares issued during the year	50,000	-	50,000
At 31 December 2016	140,000	2,533,816	2,673,816

The notes on pages 13 to 32 form part of these financial statements.

EC3 Brokers Limited

Consolidated statement of cash flows for the year ended 31 December 2017

	2017 £	2016 £
Cash flows from operating activities		
Profit for the financial year	1,664,689	2,046,718
Adjustments for:		
Amortisation of intangible assets	45,393	82,040
Depreciation of tangible assets	18,125	20,221
Interest payable	-	13,946
Interest receivable	(7,319)	(6,500)
Taxation charge	509,211	602,348
(Increase) in debtors	(211,124)	(2,142,548)
(Increase) in amounts owed by groups	(496,808)	(23,178)
Increase in creditors	169,264	861,652
Corporation tax (paid)	(688,632)	(272,978)
Foreign exchange differences	84	-
Net cash generated from operating activities	<u>1,002,883</u>	<u>1,181,721</u>
Cash flows from investing activities		
Purchase of intangible fixed assets	-	(59,312)
Purchase of tangible fixed assets	(12,711)	(20,009)
Interest received	7,319	6,500
Net cash from investing activities	<u>(5,392)</u>	<u>(72,821)</u>
Cash flows from financing activities		
Repayment of debenture loans	-	(220,000)
Repayment of other loans	-	(330,000)
Interest paid	-	(13,946)
Dividends paid to non controlling interests	1	-
Net cash used in financing activities	<u>1</u>	<u>(563,946)</u>
Net increase in cash and cash equivalents	<u>997,492</u>	<u>544,954</u>
Cash and cash equivalents at beginning of year	<u>996,327</u>	<u>451,373</u>
Cash and cash equivalents at the end of year	<u><u>1,993,819</u></u>	<u><u>996,327</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u>1,993,819</u>	<u>996,327</u>
	<u><u>1,993,819</u></u>	<u><u>996,327</u></u>

The notes on pages 13 to 32 form part of these financial statements.

EC3 Brokers Limited

Notes to the financial statements for the year ended 31 December 2017

1. General information

EC3 Brokers Limited is a private limited company incorporated in England & Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the group's operations and principal activity are set out in the strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgment in applying the group's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the company and its own subsidiaries ("the group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

- Brokerage is credited to the profit and loss account on the date of inception of a risk.
- Adjustments relating to additional or return premiums are accounted for as and when they arise.

EC3 Brokers Limited

Notes to the financial statements for the year ended 31 December 2017

2. Accounting policies (continued)

2.4 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the consolidated statement of comprehensive income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Goodwill	-	3	years
Software	-	3	years

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	- over 60 months
Office equipment	- over 36 months

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of comprehensive income.

EC3 Brokers Limited

Notes to the financial statements for the year ended 31 December 2017

2. Accounting policies (continued)

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the consolidated statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2.9 Financial instruments

The group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the consolidated statement of comprehensive income.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

EC3 Brokers Limited

Notes to the financial statements for the year ended 31 December 2017

2. Accounting policies (continued)

2.11 Insurance broking balances

The company is an insurance intermediary regulated by the FCA. Under its permissions the firm is allowed to hold client money. All client money is held in statutory trust accounts. The statutory trust rules do not permit the firm to provide credit to clients out of client money such that, for example, their premium obligation to the insurer may be met in advance of the premium being remitted to the firm. Although the statutory trust allows funding to be extended out of the firm's own funds, the firm's policy is not to extend such funding and not to take the associated credit risk.

Insurance brokers act as agents in placing the insurable risk of their client with insurers and, as such, are not liable as principals for amounts arising from such transactions. In recognition of this relationship, client cash balances and debtors from insurance broking transactions are not recorded as assets of the company. Similarly, premiums collected from clients or claims monies received from insurers to be subsequently transferred to insurers or clients respectively, are not shown as liabilities. Trade and other debtors represent only fees and commissions earned on insurance broking transactions.

2.12 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'admin expenses'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

EC3 Brokers Limited

Notes to the financial statements for the year ended 31 December 2017

2. Accounting policies (continued)

2.13 Financial liabilities

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Financial liabilities within the scope of IAS 39 are initially classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequently, the measurement of financial liabilities depends on their classification as follows:

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the group becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Derecognition of financial liabilities

A liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as an exchange or modification is treated as a derecognition of the original liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

2.14 Finance costs

Finance costs are charged to the consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.15 Dividends

Dividends are recognised when they become legally payable. Interim dividends are recognised when paid. Final dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.16 Operating leases

Rentals paid under operating leases are charged to the consolidated statement of comprehensive income on a straight line basis over the lease term.

EC3 Brokers Limited

Notes to the financial statements for the year ended 31 December 2017

2. Accounting policies (continued)

2.17 Pensions

Defined contribution pension plan

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations.

The contributions are recognised as an expense in the consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the group in independently administered funds.

2.18 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the statement of financial position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the statement of financial position date.

2.19 Interest income

Interest income is recognised in the consolidated statement of comprehensive income using the effective interest method.

2.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company and the group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

EC3 Brokers Limited

Notes to the financial statements for the year ended 31 December 2017

3. Judgements in applying accounting policies and key sources of estimation uncertainty

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

The main areas of estimation in these financial statements are;

- Provision for the recovery of other receivables
- Assessment of deferral revenue

4. Analysis of turnover

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	768,485	755,481
Rest of Europe	1,461,998	1,064,624
Rest of the world	6,940,491	6,254,837
	<u>9,170,974</u>	<u>8,074,942</u>

5. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	18,126	20,221
Amortisation of intangible assets, including goodwill	45,393	89,534
Fees payable to the group's auditor and its associates for the audit of the company's annual financial statements	22,740	17,600
Fees payable to the groups auditor for services relating to taxation	4,620	3,750
Fees payable to the groups auditor for the non-audit services	2,280	1,850
Fees payable to the group auditor for audit related assurance services	7,440	6,000
Exchange differences	115,646	(254,489)
Cost of defined contribution scheme	<u>197,070</u>	<u>163,809</u>

EC3 Brokers Limited

Notes to the financial statements for the year ended 31 December 2017

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2017 £	2016 £
Wages and salaries	2,700,958	2,164,544
Social security costs	1,665,478	1,222,579
Cost of defined contribution scheme	197,070	163,809
	<u>4,563,506</u>	<u>3,550,932</u>

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

	2017 No.	2016 No.
Employees	<u>33</u>	<u>17</u>

7. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	1,201,740	827,056
Company contributions to defined contribution pension schemes	28,063	51,583
	<u>1,229,803</u>	<u>878,639</u>

During the year retirement benefits were accruing to no directors (2016 - NIL) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £499,240 (2016 - £484,924).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £7,500 (2016 - £35,250).

8. Interest receivable

	2017 £	2016 £
Other interest receivable	7,319	6,500
	<u>7,319</u>	<u>6,500</u>

EC3 Brokers Limited

Notes to the financial statements for the year ended 31 December 2017

9. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	-	5
Other loan interest payable	-	13,941
	<u>-</u>	<u>13,946</u>

10. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	487,451	593,538
Adjustments in respect of previous periods	32,796	(3,155)
	<u>520,247</u>	<u>590,383</u>
Total current tax	<u>520,247</u>	<u>590,383</u>
Deferred tax		
Origination and reversal of timing differences	18,116	12,191
Changes to tax rates	-	(226)
Adjustments in respect of prior periods	(29,152)	-
	<u>(11,036)</u>	<u>11,965</u>
Total deferred tax	<u>(11,036)</u>	<u>11,965</u>
Taxation on profit on ordinary activities	<u>509,211</u>	<u>602,348</u>

EC3 Brokers Limited

Notes to the financial statements for the year ended 31 December 2017

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>2,173,900</u>	<u>2,649,066</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	418,476	529,813
Effects of:		
Expenses not deductible for tax purposes	147,761	89,115
Fixed asset differences	24,428	-
Adjustments to tax charge in respect of previous periods	32,796	(3,155)
Adjust deferred tax to average rate	(2,394)	-
Adjust deferred tax to average rate relating to previous period	(29,152)	-
Non-taxable income	(82,704)	(19,785)
Adjust closing deferred tax to average rate	-	(2,829)
Adjust opening deferred tax to average rate	-	1,153
Marginal relief	-	8,036
Total tax charge for the year	<u>509,211</u>	<u>602,348</u>

Factors that may affect future tax charges

The main rate of UK corporation tax decreased from 20% to 19% from 1 April 2017. From 1 April 2020 this main rate of UK corporation tax will further decrease to 17% as substantively enacted on 6 September 2016. As this change has been substantively enacted before the reporting date, deferred tax has been recognised at 17% as at 31 December 2017.

11. Dividends

	2017 £	2016 £
Final dividends declared 7th December 2016 and paid 5 January 2017	-	80,000
Dividend agreed and settled by issue of shares (see note 20)	-	50,000
	<u>-</u>	<u>130,000</u>

EC3 Brokers Limited

Notes to the financial statements for the year ended 31 December 2017

12. Intangible assets

Group

	Software development £	Intangible asset £	Goodwill £	Total £
Cost				
At 1 January 2017	83,672	150,000	52,508	286,180
At 31 December 2017	83,672	150,000	52,508	286,180
Amortisation				
At 1 January 2017	24,081	150,000	17,502	191,583
Charge for the year	27,891	-	17,502	45,393
At 31 December 2017	51,972	150,000	35,004	236,976
Net book value				
At 31 December 2017	31,700	-	17,504	49,204
At 31 December 2016	59,591	-	35,006	94,597

EC3 Brokers Limited

Notes to the financial statements for the year ended 31 December 2017

12. Intangible assets (continued)

Company

	Software development £	Intangible asset £	Total £
Cost			
At 1 January 2017	83,672	150,000	233,672
At 31 December 2017	83,672	150,000	233,672
Amortisation			
At 1 January 2017	24,081	150,000	174,081
Charge for the year	27,891	-	27,891
At 31 December 2017	51,972	150,000	201,972
Net book value			
At 31 December 2017	31,700	-	31,700
At 31 December 2016	59,591	-	59,591

EC3 Brokers Limited

Notes to the financial statements for the year ended 31 December 2017

13. Tangible fixed assets

Group

	Fixtures and fittings £	Office equipment £	Total £
Cost or valuation			
At 1 January 2017	25,047	47,809	72,856
Additions	8,258	4,453	12,711
At 31 December 2017	<u>33,305</u>	<u>52,262</u>	<u>85,567</u>
Depreciation			
At 1 January 2017	10,826	26,267	37,093
Charge for the year	5,147	12,979	18,126
Exchange adjustments	-	84	84
At 31 December 2017	<u>15,973</u>	<u>39,330</u>	<u>55,303</u>
Net book value			
At 31 December 2017	<u>17,332</u>	<u>12,932</u>	<u>30,264</u>
At 31 December 2016	<u>14,221</u>	<u>21,542</u>	<u>35,763</u>

EC3 Brokers Limited

Notes to the financial statements for the year ended 31 December 2017

13. Tangible fixed assets (continued)

Company

	Fixtures and fittings £	Office equipment £	Total £
Cost or valuation			
At 1 January 2017	25,047	45,738	70,785
Additions	8,258	4,453	12,711
At 31 December 2017	<u>33,305</u>	<u>50,191</u>	<u>83,496</u>
Depreciation			
At 1 January 2017	10,826	25,256	36,082
Charge for the year	5,147	12,776	17,923
At 31 December 2017	<u>15,973</u>	<u>38,032</u>	<u>54,005</u>
Net book value			
At 31 December 2017	<u>17,332</u>	<u>12,159</u>	<u>29,491</u>
At 31 December 2016	<u>14,221</u>	<u>20,482</u>	<u>34,703</u>

EC3 Brokers Limited

Notes to the financial statements for the year ended 31 December 2017

14. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2017	1
Additions	399,944
At 31 December 2017	<u>399,945</u>
Net book value	
At 31 December 2017	<u>399,945</u>
At 31 December 2016	<u>1</u>

The addition represents additional investment in the share capital of Motion Re (Underwriting Agency) Limited in the year.

15. Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Due after more than one year				
Other debtors	225,458	218,958	225,458	218,958
	<u>225,458</u>	<u>218,958</u>	<u>225,458</u>	<u>218,958</u>
Due within one year				
Trade debtors	543,010	797,855	543,009	745,597
Amounts owed by group undertakings	496,808	-	670,210	332,976
Other debtors	2,941,629	2,392,843	2,774,620	2,381,598
Share capital not paid	-	743	-	743
Prepayments and accrued income	123,322	211,896	102,601	189,209
	<u>4,330,227</u>	<u>3,622,295</u>	<u>4,315,898</u>	<u>3,869,081</u>

EC3 Brokers Limited

Notes to the financial statements for the year ended 31 December 2017

15. Debtors (continued)

Included within other debtors due after one year is a loan to D Driscoll, a director, amounting to £225,458 (2016: £218,958). Amounts repaid during the year totalled £nil (2016: £nil). The loan accrues interest at 3.25%. The loan is due to be repaid February 2019.

Amounts owed by group undertakings are not interest bearing and are repayable on demand.

Included within amounts owed by group undertakings is £496,808 which represents amounts due from EC3 Brokers Group Limited, the immediate parent company.

16. Cash and cash equivalents

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash at bank and in hand	<u>1,993,819</u>	<u>996,327</u>	<u>1,845,265</u>	<u>875,662</u>

17. Creditors: Amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade creditors	541,178	216,092	539,821	185,778
Corporation tax	417,177	585,562	417,177	585,562
Other taxation and social security	93,221	122,713	93,221	122,713
Other creditors	-	228,000	-	228,000
Accruals and deferred income	1,181,963	1,033,747	1,181,822	1,027,139
	<u>2,233,539</u>	<u>2,186,114</u>	<u>2,232,041</u>	<u>2,149,192</u>

EC3 Brokers Limited

Notes to the financial statements for the year ended 31 December 2017

18. Financial instruments

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	6,200,724	4,406,726	6,058,562	4,555,534
	<u>6,200,724</u>	<u>4,406,726</u>	<u>6,058,562</u>	<u>4,555,534</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(2,233,539)	(2,186,114)	(2,232,041)	(2,149,192)
	<u>(2,233,539)</u>	<u>(2,186,114)</u>	<u>(2,232,041)</u>	<u>(2,149,192)</u>

Financial assets measured at amortised cost comprise trade and other debtors, amounts owed by group undertakings, unpaid share capital and cash at bank and in hand.

Financial liabilities measured at amortised cost comprise trade and other creditors and accrued expenses.

19. Deferred taxation

Group and company

	2017 £	2016 £
At beginning of year	(16,030)	(4,065)
Credited to profit or loss	11,036	(11,965)
At end of year	<u>(4,994)</u>	<u>(16,030)</u>

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Accelerated capital allowances	(7,569)	(16,030)	(7,569)	(16,030)
Short term timing differences	2,575	-	2,575	-
	<u>(4,994)</u>	<u>(16,030)</u>	<u>(4,994)</u>	<u>(16,030)</u>

EC3 Brokers Limited

Notes to the financial statements for the year ended 31 December 2017

20. Share capital

	2017 £	2016 £
Shares classified as equity		
Allotted, called up and fully paid		
14,000,000 A shares of £0.01 each	<u>140,000</u>	<u>140,000</u>

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

On 30 December 2016, 5,000,000 A shares were issued at par. The directors and shareholders approved a dividend of £0.0055 per share which was used as consideration for the share issued.

21. Reserves

Retained earnings

Retained earnings represents cumulative profits net of dividends paid and other adjustment.

22. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £197,070 (2016 - £163,809). Contributions totalling £nil (2016 - £nil) were payable to the fund at the balance sheet date.

23. Commitments under operating leases

At 31 December 2017 the group had future minimum lease payments under non-cancellable operating leases as follows:

Group	2017 £	2016 £
Not later than 1 year	179,246	91,390
Later than 1 year and not later than 5 years	294,847	297,018
	<u>474,093</u>	<u>388,408</u>

EC3 Brokers Limited

Notes to the financial statements for the year ended 31 December 2017

24. Related party transactions

In a previous reporting period the company received a loan of £485,000 from C Giles, a related party through directorship and shareholder of the company. The amount due including accrued interest at the year end is £Nil (2016 - £365).

The terms related to the £200,000 loan made to a director D Driscoll are stated in Note 15 of these accounts. The amount due including accrued interest at the year end is £225,458 (2016 - £218,958)

PIB Ltd is a related party through common directorships and shareholders. During the year EC3 Brokers provided services to PIB totalling £Nil (2016 - £14,120). At the year end £nil was outstanding.

During the year, amounts of £900 (2016 - £Nil) were advanced to Simon Harvey, a director of the company. At the year end, there were amounts of £900 (2016 - £Nil) owed by Simon Harvey. This balance is included within other debtors, is interest free and has no fixed terms of repayment.

All loan transactions and trading activities with PIB Ltd were on an arms length basis.

25. Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
EC3 Brokers US Inc.	United States of America	Common stock	85 %	Insurance Intermediary
Motion Re (Underwriting Agency) Limited	United Arab Emirates	Common stock	100 %	Insurance Intermediary

The registered office of the subsidiaries are as follows:

Motion Re (Underwriting Agency) Limited:
Office No. ST 20-06, Level 20
Emirates Financial Tower
Dubai International Financial Centre
P. O. Box 9803
Dubai, United Arab Emirates

EC3 Brokers US Inc.:
10440 North Central Expressway
Dallas
Texas
75238

During the year, the investment in Motion Re (Underwriting Agency) Limited was increased from 70% to 100%. This resulted in a movement of £111,655 between minority interests and retained earnings.

26. Controlling party

With effect from 14 December 2017, the immediate parent company is EC3 Brokers Group Limited. In the opinion of the directors, there was no single ultimate controlling party during the year.

EC3 Brokers Limited

Notes to the financial statements for the year ended 31 December 2017

27. Asset in trust

As disclosed in accounting policy 2.11 the company operates statutory trust accounts and as such the client cash balances, and debtors are not recorded as assets of the company, similarly the premiums collected from clients or claims monies received from insurers to be subsequently transferred to insurers or clients respectively are not shown as liabilities.

The funds held in trust for insurance companies on whose behalf the company acts as underwriting agent amounts to £11,169,421 as at 31 December 2017 (2016 - £6,750,620) of which £10,626,413 (2016 - £6,385,454) represented amounts due to insurers or clients. The balance of £251,920 (2016 - £365,166) represents the monies due to the company, this has been included within Trade debtors (note 15).