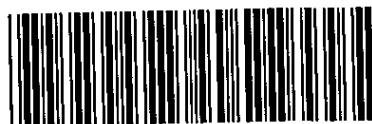


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	A89XBXL6	
A14	17/07/2019	#6
	COMPANIES HOUSE	
	A892PTSA	
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	COMPANIES HOUSE	
	A86NUXR7	
A22	31/05/2019	#341
	COMPANIES HOUSE	

Beach UK Holdco Limited
Amended Report and
Consolidated Financial
Statements

For the year ended 31 December 2017
 Company Number 09269699

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Beach UK Holdco Limited
Strategic Report
For the year ended 31 December 2017

The directors present their strategic report together with the audited consolidated financial statements of Beach UK Holdco Limited for the year ended 31 December 2017.

Principal activities, trading review and future developments

The Company was incorporated in the United Kingdom on 17 October 2014 under company number 09269699 as the holding company of the Beach Group and acquired its interests in pre-existing global businesses on 14 November 2014.

The Company is a global insurance and reinsurance intermediary that works with insurance companies and other clients to find other (re)insurance companies to share the risk of their insurance portfolios. The group operates from a number of offices worldwide including Bermuda, Canada and the USA, as well as in the UK and Europe.

Revenue for the year ended 31 December 2017 was US\$38.8M, operating loss was US\$3.7M, loss from continuing operations before income taxes was US\$4.1M, and total comprehensive loss was US\$4.0M. Revenue for the year ended 31 December 2016 was US\$39.3M, operating loss was US\$1.5M, loss from continuing operations before income taxes was US\$1.7M, and total comprehensive income was US\$0.7M.

Revenues of US\$38.8M (2016: \$39.3M) reflected the Company's delivery of services in three key categories: advisory, reinsurance and portfolio (delegated authority) and reflected a slight decrease of 1.3% from the prior year. Approximately 64.3% (2016 -57.8%) of revenues were generated from the Company's operations in North America and Bermuda, and 35.7% (2016 - 42.2%) was related to operations in the UK/International. The Company's growth in North America was positively impacted in 2017 by the addition of and growth in new accounts in both the US and Canada. During 2016, the growth in North America was spurred on by the addition of a small team of production and support personnel and the transfer of certain customer accounts from an established North American reinsurance broker, based in New York, USA. In 2016, the Company's management began the process of divesting from a jointly-owned investment in a UK-based intermediary. This was precipitated by the termination of the relationship with a client who provided the major source of revenue into this intermediary. The loss of this client was a significant contributor of the decrease in UK/International revenue in 2017. Furthermore, as a result of these circumstances, and starting in 2016, the Company's investment in the UK-based intermediary is being treated as a discontinued operation in the consolidated financial statements.

In 2017, the Company has largely maintained consolidated revenue in a continued challenging market. 2017 saw a significant increase in industry-wide catastrophic claims and larger underwriting losses, but the P&C industry's capital and surplus continues to be very strong on a relative basis. The Company's management remains committed to maintaining organic growth in commission and fee income, relying on the diverse spread of its revenue base, supported across its geographically-diverse operations and its strong client relationships.

Subsequent to the year end, on 10 January 2018, the Company announced that an agreement had been reached under which Acrisure LLC ("Acrisure"), a primarily-US insurance broking group, would acquire 100% of the Company's equity from existing shareholders, which included Aquiline Capital Partners ("Aquiline"), a New York-based private equity firm, and current and previous Beach management. The agreement which was subject to regulatory approvals closed on 9 March 2018. Company management anticipates significant business opportunity flowing to both groups as a result of this transaction. The Company continues to be committed to capitalizing on opportunities to make strategic investments in production individuals, teams or companies in similar lines of business to strengthen and expand its revenue base.

Principal risks and uncertainties

The management of the business and the execution of Company strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company relate to:

- Competition from other insurance and reinsurance intermediaries;
- Failures in client service, in particular those related to errors or omissions,
- Cyclical factors that affect the insurance market;
- the relative value of key currencies comprising the Company's cost base, notably Sterling and Canadian Dollars, against the key currencies in which revenues are generated, notably the US Dollar;
- Tax and regulatory risk, the principal impact of which is to impose high levels of compliance costs on the business;
- Loss of key clients or staff, and
- Failure to comply with the terms of its credit facilities, including covenants.

The business is focused on specific sectors in which it is believed it can successfully compete. The reward strategy and development opportunities offered to staff are designed to mitigate the risk of losing or failing to attract key staff.

The Company uses a number of internal performance indicators to monitor and assess its business. In particular, renewal and attrition rates are carefully examined. The company also considers operating margin by office and by geographic region.

It is possible that legal action can be taken against the Company as a result of the Company's actions, inactions, products, services or other events. Errors and omissions claims, lawsuits, and other proceedings arising in the ordinary course of business are covered in part by professional indemnity or other appropriate insurance. The Company, in the normal course of conducting its business, monitors any matters or pending litigation against it.

The Company continues to assess the capability of its counterparties, and itself, to deal with the UK's exit from the European Union. The directors are satisfied that the Company is adequately positioned to manage risks and react to market developments.

Financial risk management objectives

The Company is exposed to financial risk through its financial assets and financial liabilities. The most important components of this financial risk are currency risk, credit risk and liquidity risk.

The Company manages its currency, credit and liability risks through Board-approved policies and procedures.

Currency risk

The Company is exposed to currency risk in respect of its brokerage, commission and fees and operating cost incurred in currencies other than US Dollar. The most significant currencies to which the Company is exposed are Sterling and the Canadian Dollar. The Company seeks to neither make a profit nor loss on exposure to currency and accordingly will sell excess currency positions into US Dollars or other operating- required currencies.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is mainly exposed to credit risk with respect to amounts due from clients or markets representing the Company's fees or brokerage and from voluntary or involuntary funding of insurance balances. The Company has a growing number of counterparties, including banks and vendors, and monitors these regularly for credit worthiness and otherwise seeks to promptly collect amounts due, in accordance with terms of trade.

Beach UK Holdco Limited
Strategic Report (Continued)
For the year ended 31 December 2017

Financial risk management objectives (continued)


Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations, when due, at a reasonable cost. The Company had access to credit facilities and at the yearend had a loan balance outstanding of US\$8.5M. These amounts were due to be repaid over a 5-year period ending in 2020. All bank loans, including accrued interest on the loans and related expenses, were fully paid on 9 March 2018, concurrent with the acquisition of the Company by Acrisure. Management and the Board monitor cash flow and cash flow projections.

Post balance sheet events

On 9 March 2018, the Company was purchased by Acrisure LLC, resulting in a change of control of the Group. Acrisure LLC, arranged share and option roll-over and purchase agreements with all shareholders as at year-end through Acrisure Acquisitionco Ltd, of which Acrisure LLC holds 100% ownership.

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



S. Wood
Chief Financial Officer
Date: 14 May 2018

**Beach UK Holdco Limited
Report of the Directors
For the year ended 31 December 2017**

The directors present their report together with the audited consolidated financial statements of Beach UK Holdco Limited for the year ended 31 December 2017.

The Strategic Report above sets out a review of the business including the Company's principal activities, trading review and future developments, as well as principal risks facing the business and the management of financial risks.

Directors

The directors who served during the year and to the date of this report were:

N Brown	(resigned 25 October 2017, reappointed 9 March 2018)
G Millwater	
J Beach	(resigned 9 March 2018)
J Cartwright	(resigned 9 March 2018)
S Wood	
I Broadwater	(resigned 15 February 2017)
J Rotman	(appointed 15 February 2017, resigned 9 March 2018)
W Malloy	
C Watson	(resigned 9 March 2018)
M Schweinzger	(appointed 9 March 2018)
G Williams	(appointed 9 March 2018)

The secretaries who served during the year and to the date of this report were:

J Cartwright	(resigned 9 March 2018)
M Mochalska	(appointed 9 March 2018)

Directors' responsibilities

The following statement, which should be read in conjunction with the auditor's statement of the respective responsibilities of directors and auditor set out on the following pages, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and the auditor with regard to the consolidated financial statements.

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

Beach UK Holdco Limited
Report of the Directors (continued)
For the year ended 31 December 2017

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards. Under company law the directors must not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these consolidated financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements;
- prepare the consolidated 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 consolidated financial position of the Company and enable them to ensure that the consolidated financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Each of the directors 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 is unaware; and
- the director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

BDO UK LLP has indicated its willingness to continue in office and a resolution to re-appoint them will be proposed at an upcoming meeting of the Board.

Dividend recommendation

The directors do not recommend a dividend payment for the period (2016: Nil).

Beach UK Holdco Limited
Report of the Directors (continued)
For the year ended 31 December 2017

Qualifying Indemnity Provisions

Branch disclosures

One of the subsidiaries, Beach and Associated Limited operates in Canada and through a branch in the UK, is an FCA regulated insurance intermediary.

Post Balance Sheet

On 9 March 2018, the Company was purchased by Acrisure LLC, resulting in a change of control of the Group. Acrisure LLC, arranged share and option roll-over and purchase agreements with all shareholders as at year-end through Acrisure Acquisitionco Ltd, of which Acrisure LLC holds 100% ownership.

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



S. Wood
Chief Financial Officer
Date: 14 May 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEACH UK HOLDCO LIMITED

Opinion

We have audited the financial statements of Beach UK Holdco Limited (the 'company') for the year ended 31 December 2017 which comprise of the consolidated and company statement of comprehensive loss, the consolidated and company statement of financial position, the consolidated statement of cash flows, the consolidated and company statement of changes to shareholders' equity 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 (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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEACH UK HOLDCO LIMITED

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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, including the strategic report and director's report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEACH UK HOLDCO LIMITED

Responsibilities of the directors

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

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

Auditor's responsibilities for the audit of the financial statements

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.

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.



David Roberts (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
14 May 2018

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


Beach UK Holdco Limited
Consolidated Statement of Comprehensive Loss
(Denominated in U.S. Dollars)

For the year ended 31 December	2017	2016
Revenue		
Commissions, fees and sundry income	\$ 38,803,403	\$ 39,274,428
Operating expenses		
Salaries (Note 15)	25,606,963	24,203,388
Employee benefits and taxes (Note 15)	4,064,265	4,028,183
Commission	1,289,744	1,277,021
Professional fees	1,464,280	1,293,208
Rent and occupancy	1,589,052	1,663,578
Travel and vehicle	1,625,928	1,599,504
Office and general	1,331,020	1,520,377
Promotion and entertainment	881,212	865,537
Insurance	527,840	491,324
Data modelling and analysis	1,810,322	1,539,360
Depreciation - Property and equipment (Note 4)	740,172	822,208
Amortization - Goodwill and intangible assets (Note 5)	910,833	910,833
Telephone and communications	185,983	174,016
Bank charges	128,246	128,095
Interest	741,196	610,621
Foreign exchange gain	(381,119)	(352,405)
	42,515,937	40,774,848
Loss from operations before undernoted items	(3,712,534)	(1,500,420)
Share-based compensation (Note 11)	(343,944)	(217,438)
Loss from continuing operations before income taxes	(4,056,478)	(1,717,858)
Income taxes (recovery) (Note 12)		
Current	(193,388)	309,556
Deferred	80,410	(1,411,805)
	(112,978)	(1,102,249)
Comprehensive loss before discontinued operations	(3,943,500)	(615,609)
Loss from discontinued operations net of income tax expense for the year (Note 7)	(29,591)	(47,999)
Total comprehensive loss for the year	\$ (3,973,091)	\$ (663,608)

The accompanying notes are an integral part of these consolidated financial statements.

Beach UK Holdco Limited
Consolidated Statement of Financial Position
(Denominated in U.S. Dollars)

As at 31 December	2017	2016
Assets		
Current		
Cash	\$ 1,562,243	\$ 1,910,735
Accounts receivable	489,489	1,787,426
Due from trust fund (Note 16)	7,678,113	5,216,499
Prepaid expenses	298,841	389,435
Investment held for sale (Note 7)	1,099,163	1,376,322
Deferred tax asset (Note 12)	959,145	1,010,231
	12,086,994	11,690,648
Non-current		
Share subscriptions receivable (Note 8)	5,222,056	4,240,132
Property and equipment (Note 4)	1,277,853	1,902,989
Goodwill and intangible assets (Note 5)	41,907,402	42,818,235
Borrowing costs (Note 13)	273,025	388,556
Total Assets	\$ 60,767,330	\$ 61,040,560
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	\$ 7,134,326	\$ 5,690,977
Government remittances payable	885,349	787,436
Income taxes payable	60,421	1,130,201
Bank loan (Note 13 and Note 17)	8,456,250	375,000
Deferred revenue	1,567,497	1,567,497
Current portion of deferred rent (Note 6)	132,329	122,663
	18,236,172	9,673,774
Non-current		
Deferred rent (Note 6)	223,590	334,365
Long-term debt (Note 13 and Note 17)	-	4,312,500
Revolving loan (Note 13 and Note 17)	-	1,550,000
Total liabilities	18,459,762	15,870,639
Shareholders' equity		
Share capital (Note 8)	42,937,916	42,171,122
Exchangeable share rights (Note 8)	6,260,904	6,260,904
Share options (Note 11)	679,999	336,055
Deficit	(7,571,251)	(3,598,160)
Total shareholders' equity	42,307,568	45,169,921
Total shareholders' equity and liabilities	\$ 60,767,330	\$ 61,040,560


Stephen Edward Wood
Director

The accompanying notes are an integral part of these consolidated financial statements.

Beach UK Holdco Limited
Consolidated Statement of Cash Flows
(Denominated in U.S. Dollars)

For the year ended 31 December	2017	2016
Cash provided by (used in)		
Operating activities		
Loss from continuing operations	\$ (3,943,500)	\$ (615,609)
Adjustments required to reconcile loss with net cash provided by operating activities		
Loss on disposal of property and equipment	98,946	-
Deferred income taxes	80,410	(1,411,805)
Unrealized foreign exchange gain on deferred income taxes	(9,194)	(70,786)
Unrealized foreign exchange gain on share subscriptions receivable (Note 8)	(215,130)	(111,820)
Depreciation - property and equipment (Note 4)	740,172	822,208
Amortization - intangible assets (Note 5)	910,833	910,833
Lease inducement amortization	(101,109)	(176,501)
Share-based compensation	343,944	217,438
Income taxes payable	(1,069,780)	407,732
Change in non-cash operating account balances		
Accounts receivable	1,027,010	(1,186,733)
Due from trust fund	(2,461,614)	(893,940)
Prepaid expenses	90,594	526,318
Accounts payable and accrued liabilities	1,443,349	566,730
Deferred revenue	-	30,000
Government remittances payable	97,913	246,529
Cash used in continuing operations - operating activities	(2,967,156)	(739,406)
Cash provided by/ (used in) discontinued operations - operating activities	529,615	(60,514)
	(2,437,541)	(799,920)
Investing activity		
Purchase of property and equipment (Note 4)	(213,982)	(538,409)
Financing activities		
Proceeds from revolving loan (Note 13)	2,500,000	1,550,000
Repayment of long-term debt (Note 13)	(312,500)	(250,000)
Borrowing cost	115,531	119,061
Paid to related parties	-	(3,225)
Issuance of share capital (Note 8)	-	475,730
Cash flow from financing activities	2,303,031	1,891,566
(Decrease)/Increase in cash during the year	(348,492)	553,237
Cash, beginning of year	1,910,735	1,357,498
Cash, end of year	\$ 1,562,243	\$ 1,910,735

The accompanying notes are an integral part of these consolidated financial statements.

Beach UK Holdco Limited
Consolidated Statement of Changes in Shareholders' Equity
(Denominated in U.S. Dollars)

	Share Capital	Exchangeable Share Rights	Share Options	Deficit	Total Shareholders' Equity
31 December 2016	\$ 42,171,122	\$ 6,260,904	\$ 336,055	\$ (3,598,160)	\$ 45,169,921
Total Comprehensive Loss for the year	-	-	-	(3,973,091)	(3,973,091)
Contributions by and distributions to owners					
Vesting of shares	766,794	-	-	-	766,794
Share based compensation	-	-	343,944	-	343,944
Total Contributions by and distributions to owners	766,794	-	343,944	-	1,110,738
31 December 2017	\$ 42,937,916	\$ 6,260,904	\$ 679,999	\$ (7,571,251)	\$ 42,307,568
	Share Capital	Exchangeable Share Rights	Share Options	Deficit	Total Shareholders' Equity
31 December 2015	\$ 40,974,873	\$ 6,260,904	\$ 118,617	\$ (2,934,552)	\$ 44,419,842
Total Comprehensive Loss for the year	-	-	-	(663,608)	(663,608)
Contributions by and distributions to owners					
Issue of share capital	475,731	-	-	-	475,731
Vesting of shares	720,518	-	-	-	720,518
Share based compensation	-	-	217,438	-	217,438
Total Contributions by and distributions to owners	1,196,249	-	217,438	-	1,413,687
31 December 2016	\$ 42,171,122	\$ 6,260,904	\$ 336,055	\$ (3,598,160)	\$ 45,169,921

The accompanying notes are an integral part of these consolidated financial statements.

Beach UK Holdco Limited
Notes to Consolidated Financial Statements
(Denominated in U.S. Dollars)

31 December 2017

1. Nature of Operations and Summary of Significant Accounting Policies

Reporting Entity

Beach UK Holdco Limited (the "Company") is a UK company and as of 31 December 2017 was a privately held subsidiary of Aquiline Financial Services Fund II L.P. The ultimate parent undertaking was Aquiline Capital Partners II GP (Offshore) Ltd. Subsequent to year-end, the Company was acquired by Acrisure Acquisitionco Ltd (the "Parent"). The ultimate parent undertaking is Acrisure LLC (the "Ultimate Parent").

The Company is a global insurance and reinsurance broker that works with insurance companies and other clients to find other (re)insurance companies to share the risk of their insurance portfolios. The Company was incorporated on 17 October 2014. The registered head office of the Company is New London House, 8th Floor, 6 London Street, London, United Kingdom, EC3R 7LP.

Basis of Presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union as set out below. Non-consolidated financial statements for the Company have been prepared separately.

These financial statements were prepared on a historical cost basis, except for the following items (refer to individual accounting policies for details):

- Financial instruments - fair value through profit or loss
- Share options - fair value

The Company's functional and presentation currency is the United States Dollar.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.

The consolidated financial statements include the accounts of the Company and the accounts of its wholly-owned subsidiaries Beach (Bermuda) Ltd., Beach & Associates Limited (Canada), Beach Canada Holdings Inc. (Canada), Beach Capital Holdings Limited (Canada), Beach Re Limited (U.S.), and Beach (International) Limited (U.K.) together the "Group". The subsidiaries' assets, liabilities, and operations are included in these consolidated financial statements and all inter-company transactions have been eliminated. Beach (International) Limited (U.K.) is exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of s479A of the Act.

Beach UK Holdco Limited
Notes to Consolidated Financial Statements
(Denominated in U.S. Dollars)

31 December 2017

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Significant Accounting Policies

Revenue Recognition

The Group's revenue comprises brokerage, commissions, and fees receivable in connection with the placement of reinsurance for clients and the provisions of related consultancy services.

Commissions are initially recognized when the relevant amounts are known or can be reliably estimated and there is a contractual basis for the receipt of such commissions, which is normally on inception of the relevant reinsurance contracts regardless of when invoices in relation to the contract are actually issued. Where the services for which the commission is receivable have not been fully provided, an appropriate element of the commission is deferred to the period when that service is completed.

Financial Instruments

The Group classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired or liability incurred. All transactions related to financial instruments are recorded on a settlement date basis. The Group's accounting policy for each category is as follows:

(a) Loans and receivables

Loans and receivables are comprised of cash, amounts due from trust fund, accounts receivable and share subscriptions receivable. These assets are non-derivative financial assets resulting from the provision of services or the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses.

Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For accounts receivable, such provisions are recorded in a separate allowance account with the loss being recognized in net income. On confirmation that the amounts receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Beach UK Holdco Limited
Notes to Consolidated Financial Statements
(Denominated in U.S. Dollars)

31 December 2017

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Financial Instruments (continued)

(b) Investment held for sale

The Group has classified investment as held for sale in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

(c) Other financial liabilities

Other financial liabilities include all financial liabilities and comprise accounts payable and accrued liabilities, government remittances payable, income taxes payable, long-term debt and amounts due to related parties. These liabilities are initially recognized at

Other financial liabilities include all financial liabilities and comprise accounts payable and accrued liabilities, government remittances payable, income taxes payable, long-term debt and amounts due to related parties. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability recorded in the statement of financial position.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary. Depreciation is recognized in net income and is provided on a straight-line basis over the estimated useful life of the assets as follows:

Computer hardware	- 20 %
Computer software	- 33 %
Office equipment	- 20 %
Leasehold improvements	- Original Lease term

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1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Financial Instruments (continued)

Impairment of Non-financial Assets

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly with a charge to net income.

For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows.

Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit or loss.

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1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Income Taxes (continued)

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities / (assets) are settled / (recovered).

Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is capitalized as an intangible asset with any impairment in carrying value being charged to the statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the statement of comprehensive income on the acquisition date. The Company reviews the carrying value of the goodwill at least annually, starting at the first anniversary of the end of the year in which the goodwill arose, for evidence of impairment. If impairment were to be determined, goodwill would be written down to its recoverable amount with a corresponding charge recorded to net income. The recoverable amount is determined as the higher of value in use or fair value less costs to sell. Value in use requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of cash flows.

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1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

The significant intangibles acquired in a business combination and recognised by the Company, their useful economic lives and the methods used to amortize the cost of these intangibles are as follows:

Intangible asset	Useful economic life	Amortization method
Customer relationships	15 years	Straight-line
Trade names	Indefinite	Indefinite

Foreign Currency Translation

Foreign currency accounts are translated into United States dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into United States dollars by the use of the exchange rate in effect at that date. At the year end date, unsettled monetary assets and liabilities are translated into United States dollars by using the exchange rate in effect at that date and the related translation differences are recognized in comprehensive income.

Trust Funds

The Group holds cash in trust accounts on behalf of clients and reinsurance companies to be disbursed in the normal course of operations. The balances related to these trust activities are separated from the Group's general operating activities and summarized in Note 16. The Group's economic interest in the trust fund balances is limited to the amount shown as the amounts due from the trust funds; accordingly, the gross trust fund balances are not included in the Consolidated Statement of Financial Position.

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1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Investments Subject to Significant Influence

The Company accounts for its investment in which it exercises significant influence using the equity method. Under this method, the pro-rata share of the investee's earnings is recorded as income and added to the carrying value of the investment shown on the balance sheet. Dividends received are considered as a return of capital and are accordingly deducted from the carrying value of the investment.

Share-based Compensation

The Company grants common share options and shares to its employees and officers under its share option plan. Share-based compensation plans are accounted for on a fair value basis.

The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model which determines volatility using estimation techniques as the Company is a private enterprise and its shares do not trade actively.

Share-based compensation costs, measured at grant date based on the fair value of all options granted and recognized over the service period involved, are recorded as expenses on the statement of comprehensive income and credited to shareholders' equity. Upon exercise of the options, the consideration paid by employees and the fair value of the options exercised are added to share capital.

Changes in accounting policies and disclosures

Recent accounting pronouncements

The standards and interpretations that are issued, but not yet effective are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

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1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Changes in accounting policies and disclosures (continued)

Recent accounting pronouncements (continued)

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement

IFRS 9 Financial Instruments amends the requirements for classification and measurement of financial assets, impairment, and hedge accounting. IFRS 9 introduces an expected loss model of impairment and retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through profit or loss, and fair value through other comprehensive (loss) income. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The effective date for IFRS 9 is 1 January 2018.

The Group has adopted the new standard on the required effective date. The standard impacts the classification and measurement of the Group's financial instruments and will require additional disclosure in future financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is based on the core principle to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 focuses on the transfer of control. IFRS 15 replaces all of the revenue guidance that previously existed in IFRSs. The effective date for IFRS 15 is 1 January 2018. The Group has not yet finalised the initial impact assessment of this standard.

IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019)

IFRS 16 supercedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases, Incentives and SIC-27 Evaluating the Substances of Transactions Involving the Legal Form of a Lease. It eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements. The effective date for IFRS 16 is 1 January 2019. The Group is still assessing the likely impact on its financial statements. However it is likely to have significant impact on assets and liabilities but not have a significant impact on net assets.

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2. Critical Accounting Estimates and Judgments

The Group makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Estimates

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only; or in the year of the change and future periods, if the change affects both.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Valuation of Accounts Receivable

The valuation of accounts receivable includes management's best estimate of the provision for doubtful accounts.

Goodwill

The Group accounts for valuation of goodwill in accordance with IAS 36 Impairment of Assets, which requires that goodwill be tested on an annual basis by comparing its carrying amount with its recoverable amount. The model used to value if impairment exists is complex and include a wide number of operating and financial variables and assumptions that are subject to changes as economic and market conditions vary. These changes affect the recoverable value of the goodwill.

Intangible Assets

The Group accounts for intangible assets in accordance with IAS 38 Intangible Assets, which requires the Group to assess whether the useful life of an intangible is finite or indefinite, and if finite, the length of the useful life.

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2. Critical Accounting Estimates and Judgments (continued)

Intangible Assets (continued)

The Group's customer relationships have been assessed to have a useful life of 15 years, while trade names have an indefinite useful life. An intangible asset is regarded to have an indefinite useful life when, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash for the Group.

The Group accounts for valuation of trade names in accordance with IAS 36 Impairment of Assets; same as goodwill.

Share-based Compensation

The Group maintains a share-based compensation plan for certain employees (Note 11). The value of the awards granted to employees is determined using fair value, which requires estimation to determine the expected life, dividend yield, risk-free interest rate and volatility of the instruments issued.

Accrued and Deferred Revenue

The Group accrues commission receivable but not yet invoiced in respect to the minimum premiums for the relevant contract period, normally one year, on reinsurance contracts it has placed prior to the reporting period end. The accrual is estimated based on the terms of the reinsurance contracts recorded as having incepted.

The Group estimates the amount of revenue to be deferred to recognise the uncompleted status of services for which revenue is receivable. The services concerned are mainly claims and finance related. The estimate is made based on management's budgets for claims-related costs and financial management including staff costs and related overhead, and an estimate of the period over which the relevant services will be provided, based on past performance and the substance of the reinsurance contracts concerned.

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3. Related Party Transactions

Included in accounts receivable is \$264,240 (2016 - \$535,167) owing from a company under significant influence. The balance is non-interest bearing, unsecured, with no scheduled terms of repayment.

Included in share subscriptions receivable is \$3,556,028 (2016 - \$2,999,828) owing from a director.

The Group also entered into the following transactions with key management personnel, which are defined by IAS 24, Related Party Disclosures, as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors and management:

	2017	2016
Compensation and short-term employee benefits	\$ 2,231,104	\$ 2,545,530
Long-term benefits	92,599	95,365
Share-based compensation	71,319	47,368
Total compensation and fees - directors	\$ 2,395,022	\$ 2,688,263
Compensation and short-term employee benefits	\$ 5,960,447	\$ 5,350,663
Long-term benefits	233,353	189,154
Share-based compensation	222,034	74,550
Total compensation and fees - key management personnel	\$ 6,415,834	\$ 5,614,367
Total compensation and fees	\$ 8,810,856	\$ 8,302,630

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4. Property and Equipment

	Computer hardware	Computer software	Office equipment	Leasehold improvements	Total
Cost					
Balance at 31 December 2016	\$ 509,090	\$ 1,206,304	\$ 467,436	\$ 1,364,040	\$ 3,546,870
Additions	86,011	103,435	16,474	8,062	213,982
Disposals	-	(793,044)	-	-	(793,044)
Balance at 31 December 2017	\$ 595,101	\$ 516,695	\$ 483,910	\$ 1,372,102	\$ 2,967,808
Accumulated Depreciation					
Balance at 31 December 2016	\$ 235,709	\$ 750,254	\$ 220,842	\$ 437,076	\$ 1,643,881
Depreciation	110,990	322,694	91,600	214,888	740,172
Disposals	-	(694,098)	-	-	(694,098)
Balance at 31 December 2017	\$ 346,699	\$ 378,850	\$ 312,442	\$ 651,964	\$ 1,689,955
Net book value					
31 December 2016	\$ 273,381	\$ 456,050	\$ 246,594	\$ 926,964	\$ 1,902,989
31 December 2017	\$ 248,402	\$ 137,845	\$ 171,468	\$ 720,138	\$ 1,277,853

Beach UK Holdco Limited
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5. Goodwill and Intangible Assets

	Goodwill	Customer relationships	Trade names	Total
Cost				
Balance at December 31, 2016	\$ 27,061,263	\$ 13,662,502	\$ 4,001,240	\$ 44,725,005
Additions	-	-	-	-
Disposals	-	-	-	-
Balance at 31 December 2017	\$ 27,061,263	\$ 13,662,502	\$ 4,001,240	\$ 44,725,005
Accumulated Amortization				
Balance at December 31, 2016	\$ -	\$ 1,906,770	\$ -	\$ 1,906,770
Amortization	-	910,833	-	910,833
Balance at 31 December 2017	\$ -	\$ 2,817,603	\$ -	\$ 2,817,603
Net book value				
31 December 2016	\$ 27,061,263	\$ 11,755,732	\$ 4,001,240	\$ 42,818,235
31 December 2017	\$ 27,061,263	\$ 10,844,899	\$ 4,001,240	\$ 41,907,402

Beach UK Holdco Limited
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6. Deferred Rent

The Group recognizes rent-free periods and cash rental inducements by aggregating their value and allocating them as a reduction of rental expense, on a straight-line basis, over the term of the leases.

7. Investment Held-For-Sale

	<u>2017</u>	<u>2016</u>
Investment in significantly-influenced investee		
HB&A Services Limited - 49.9% ownership	\$ 1,099,163	\$ 1,376,322

HB&A Services Ltd. ("HB&A") is a company engaged in insurance brokerage activities that is incorporated and headquartered in the United Kingdom.

The Company has a service fee arrangement with HB&A under which the Company is entitled to receive commission as compensation for administrative and finance services provided. At 31 December 2017, the Company has service fees receivable of \$264,240 (2016 - \$535,167) from HB&A which has been included in accounts receivable.

Selected financial information for the 12-month periods ended 30 September 2017 and 30 September 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Current assets	\$ 3,760,144	\$ 4,729,464
Liabilities	1,199,413	2,289,895
Net assets	\$ 2,560,731	\$ 2,439,569
Revenue	\$ -	\$ 1,319,687
Expenses	59,278	334,096
Income tax (recovery)/expense	(14,672)	197,118
Total comprehensive (loss)/income	\$ (44,606)	\$ 788,473

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7. Investment Held-For-Sale (continued)

During 2016, the Company terminated its ongoing relationship with the client who was the major source of revenue into HB&A and the Company has decided to begin the process to transfer its ownership in HB&A to the majority shareholder based on the terms of an existing shareholder's agreement between the two parties. Fair market value of the Company's interest is estimated to approximate the carrying value of the Company's interest at 31 December 2017. The investment in HB&A has been classified as held-for-sale as a result at 31 December 2017 and 31 December 2016.

The Company recorded a loss of \$277,161 to write-down its interest to the fair value less costs to sell. This loss is included in loss from discontinued operations net of income tax expense for the year on the consolidated statement of comprehensive loss.

As a result of the above circumstances, the investment in HB&A qualifies as a discontinued operation and has been reported separately in the consolidated financial statements.

The results and balances associated with the discontinued operation for the consolidated statement of comprehensive loss and financial position are summarized below:

	2017	2016
Equity pick-up from investment held-for-sale	\$ -	\$ 152,352
Commissions	<u>264,240</u>	<u>155,201</u>
	264,240	307,553
Impairment on investment held-for-sale	<u>(277,161)</u>	<u>(350,000)</u>
Loss before income taxes	(12,921)	(42,447)
Income tax expense	<u>(16,670)</u>	<u>(5,552)</u>
Loss from discontinued operations net of income tax expense for the year	<u>\$ (29,591)</u>	<u>\$ (47,999)</u>

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8. Share Capital and Exchangeable Share Rights

Authorized:	
Unlimited	A Ordinary shares, voting and participating, \$0.89 nominal value
Unlimited	B Ordinary shares, voting, capital receivable upon a specified liquidation event, \$0.89 nominal value
Unlimited	C Ordinary shares, non-voting, issued over a 3 year vesting period, or voting, if vested and fully paid, \$0.80 nominal value
7,076,455	Non-economic voting shares, non-participating, voting, redeemed upon exchangeable share rights being exercised, \$nil nominal value
Unlimited	D Ordinary shares, voting, issued over a 3 year vesting period, \$1.08 nominal value
Unlimited	Exchangeable share rights, non-participating, voting

Issued:		2017	2016
41,457,118	A Ordinary shares (2016 - 41,568,918)	36,688,867	36,784,167
3,740,359	B Ordinary shares (2016 - 3,740,359)	3,311,714	3,311,811
-	C Ordinary shares, vesting (2016 - 2,928,933)	-	1,453,609
3,425,930	C Ordinary shares, fully vested (2016 - 469,266)	2,779,072	537,706
146,630	D Ordinary shares, vesting (2016 - 62,561)	158,263	83,829
7,076,455	Non-economic voting shares (2016 - 7,076,455)	-	-
		\$ 42,937,916	\$ 42,171,122

The class C Ordinary shares that are non-voting and issued over a 3-year vesting period were issued at a price of \$0.89 each for 2,928,993 shares. The capital is receivable upon a liquidation event.

During the year, the Group bought back 111,800 class A shares via an Employee Benefit Trust (EBT), and reissued them as 27,731 fully vested class C shares and 84,069 class D shares, vesting over a period of three years. 111,800 Class A shares were bought back for a cash consideration of \$150,930 out of which 84,069 class D shares were made available to employees under the Employee Share Purchase Plan for a cash consideration of \$90,793, subject to a 20% top-up share bonus provided by the Company. 27,731 Class C shares were granted as bonus shares.

Subscriptions in respect of class B share capital and certain class C share capital are receivable upon specified liquidation events and have been recorded as a non-current asset.

	2017	2016
7,076,455 Exchangeable share rights (2016 - 7,076,455)	\$ 6,260,904	\$ 6,260,904

Exchangeable share rights were issued as consideration for the acquisition of Beach & Associates Limited and the related companies in 2014. Exchangeable share rights entitle the holders to exchange their shares of a subsidiary of the Company for Class A Ordinary shares upon a specified liquidation event.

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9. Commitments

The Company is committed to several lease agreements for premises. The minimum annual lease payments under these agreements for the next five years and thereafter are as follows:

2018	\$ 971,232
2019	671,895
2020	332,653
2021	183,950
2022	186,675
Thereafter	<u>528,345</u>
	<u>\$ 2,874,750</u>

The Company has also committed to pay an executive bonus when the subscription price on the Class B common shares and certain Class C common shares become due on a specified liquidation event.

10. Financial Instruments

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's currency risk is primarily attributable to its cash, accounts receivable, amounts due from trust fund, share subscriptions receivable, accounts payable and accrued liabilities, government remittances payable, and income taxes payable.

The Group is exposed to currency risk with transactions in Canadian dollars, Australian dollars, Euros, British Pounds and other currencies in which the Group enters into sales and service arrangements.

In addition to United States dollars, the Group earns revenue and incurs expenses denominated in Canadian dollars, Australian dollars, Euros and British Pounds and is exposed to foreign exchange risk from fluctuations in foreign currency rates on the CAD, AUD, EURO and GBP monetary working capital balances. The United States dollar equivalent of more significant amounts included in the consolidated statement of financial position which are denominated in foreign currencies are as follows:

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10. Financial Instruments (continued)

31 December 2017	CAD	GBP	Total
Cash	\$ 257,581	\$ 197,781	\$ 455,362
Accounts receivable	-	144,761	144,761
Share subscriptions receivable	5,222,216	-	5,222,216
Accounts payable and accrued liabilities	(467,500)	(671,308)	(1,138,808)
Government remittances payable	(49,284)	(629,359)	(678,643)
Income taxes payable	(31,103)	56,241	25,138
	<u>\$ 4,931,910</u>	<u>\$ (901,884)</u>	<u>\$ 4,030,026</u>

31 December 2016	CAD	GBP	Total
Cash	\$ 299,779	\$ 339,147	\$ 638,926
Accounts receivable	379,967	219,131	599,098
Share subscriptions receivable	4,240,132	-	4,240,132
Accounts payable and accrued liabilities	(1,073,097)	(2,118,579)	(3,191,676)
Government remittances payable	(47,048)	(557,832)	(604,880)
Income taxes payable	(782,128)	-	(782,128)
	<u>\$ 3,017,605</u>	<u>\$ (2,118,133)</u>	<u>\$ 899,472</u>

The effect of a 20% strengthening of the Canadian dollar against the United States dollar at the reporting date would, all other variables held constant, have resulted in an increase in net income of \$986,382 (2016 - \$603,521). A 20% weakening in the exchange rate would, on the same basis have decreased net income by \$986,382 (2016 - \$603,521)

Similarly, the effect of a 20% strengthening of the British Pound against the United States dollar at the reporting date, would all other variables held constant, have resulted in a decrease in net income of \$180,377 (2016 - of \$423,627). A 20% weakening in the exchange rate would, on the same basis have increased net income by \$180,377 (2016 - \$423,627).

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10. Financial Instruments (continued)

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group is exposed to credit risk resulting from the possibility that a customer to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same customer; or if financial obligations have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Group's financial instruments that are exposed to concentrations of credit risk relate primarily to the accounts receivable, amounts due from trust fund and share subscriptions receivable.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet all cash outflow obligations as they come due. The Group mitigates this risk by monitoring cash activities and expected outflows. The Group does not have material liabilities that can be called unexpectedly at the demand of a lender. The Group has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business.

11. Share-based Compensation Plans

The Company has two share option plans. Under the Executive Stock Option Plan, the Company may grant options to its employees upon approval of the Board of Directors. The maximum option term is 3 years and all options vest equally over 3 years.

Under the Producer Plan, the Company may grant options to its employees upon approval of the Board of Directors. The maximum option term is 3 years and all options vest equally over 3 years.

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11. Share-based Compensation Plans (continued)

A summary of the status of the Company's Executive Stock Option Plan as of 31 December 2017 and changes during the year are presented below:

	Options outstanding		
	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price \$
Outstanding 31 December 2016	3,299,601	2.21 years	1.09
Options granted	900,000	2.33 years	1.35
Outstanding 31 December 2017	4,199,601	1.07 years	1.14

A summary of the status of the Company's Producer Stock Option Plan as of 31 December 2017 and changes during the year are presented below:

	Options outstanding		
	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price \$
Outstanding 31 December 2016	400,000	2.42 years	1.34
Options granted	230,000	2.33 years	1.35
Outstanding 31 December 2017	630,000	1.75 years	1.34

The fair value of the share options granted for both plans were estimated using a Black-Scholes option pricing model on the date of the grant with the following weighted average assumptions:

Share price at grant date	\$0.89 - \$1.35
Exercise price	\$0.89 - \$1.35
Expected life of options	0.85 years
Expected share price volatility	30%
Expected dividend yield	-
Risk-free interest rate	2.0% - 2.5%

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11. Share-based Compensation Plans (continued)

The weighted average grant date fair value of the options granted for both plans in the year ended 31 December 2017 was \$0.16 (2016 - \$0.32) per option.

Expected share price volatility for both plans was estimated based on historical averages in the private company sector.

In addition to the assumptions noted above, a 50% discount factor was also used in the determination of the fair value of share options for both plans due to the restrictions on the exercise date of the options.

12. Income Taxes

The provision for income taxes differs from the result which would be obtained by applying the statutory income tax rates to income before taxes. This difference results from the following items:

	<u>2017</u>	<u>2016</u>
Loss from continuing operations before income taxes	<u>\$ (4,056,478)</u>	<u>\$ (1,717,858)</u>
Tax at domestic rates applicable to individual group entities (tax rates ranging from 26.50% to 37.44%)	(1,462,678)	(1,106,129)
Increase (decrease) in income tax resulting from:		
Permanent difference	473,840	237,282
Rate differences	-	(103,584)
Other	<u>875,860</u>	<u>(129,818)</u>
Income tax recovery	<u>\$ (112,978)</u>	<u>\$ (1,102,249)</u>

Beach UK Holdco Limited
Notes to Consolidated Financial Statements
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12. Income Taxes (continued)

Calculation of deferred taxes (deferred tax asset "DTA" and deferred tax liability "DTL") on the temporary differences in carrying values of assets and liabilities between IFRS and tax balance sheets is as follows:

	Tax Base	IFRS	Difference	Tax rate %	DTA/DTL
Property and equipment	\$ 6,241,074	\$ 6,496,126	\$ (255,052)	22.90	\$ (58,407)
Intangible assets	1,305,981	12,086,135	(10,780,154)	15.85	(1,708,654)
Loss carryforwards	9,678,798	-	9,678,798	23.97	2,320,008
Leasehold inducement	-	(356,366)	356,366	26.50	94,437
Unrealized foreign exchange loss	1,214	-	1,214	24.65	299
Temporary differences	1,263,537	-	1,263,537	24.65	311,462
Deferred tax asset		\$ 264,709			\$ 959,145

The Group has available income tax loss carryforwards of \$9,678,798 (2016 - \$7,640,175) which are available to reduce future years' taxable income to 2037 (2016 - 2036).

13. Long-term Debt

	2017	2016
Bank term loan, due June 15, 2020, bearing interest at a variable interest rate, compounded quarterly with quarterly principal payments ranging from \$62,500 to \$125,000 plus interest.	\$ 4,406,250	\$ 4,687,500
Revolving credit facility	4,050,000	1,550,000
	\$ 8,456,250	\$ 6,237,500

The variable interest rate on the bank term loan is the higher of (i) the bank's prime lending rate (ii) the Federal Funds Rate + 0.5% and (iii) monthly LIBOR + 1.00%, plus an applicable margin.

During 2016, the Group initiated a revolving loan that bears interest at 7% and is due 15 June 2020 with no defined terms of repayment.

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13. Long-term Debt (continued)

The Group has a committed, revolving credit facility up to a maximum of \$5,000,000 available from the bank. Borrowings on the revolving credit facility at December 31, 2017 were \$4,050,000 (2016 - \$1,550,000).

As at 31 December 2017, the Group was in violation of the covenants regarding earnings before interest, taxes, depreciation and amortization (EBITDA) and fixed charge coverage ratio under the provisions of the credit agreement that governs the long-term loan and revolving credit facility. Under reporting provisions of these bank loans, the Company was in the process of obtaining a waiver from the lenders related to these covenants. That waiver had not been executed at 31 December 2017, and as a result the balance of the bank loans has been classified as current. In any event, the full balance was repaid subsequent to the year-end as a result of the acquisition of the Group by Acrisure Aquisitionco Ltd as described in Note 17.

14. Capital Risk Management

The objectives of the Group's capital management initiatives are intended to safeguard the Group's ability to support its normal operating requirements on an ongoing basis and maximize the return to its shareholders.

The capital of the Group consists of the items included in shareholders' equity and obligations. The Group manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Group's assets. To effectively manage the entity's capital requirements, the Group has in place, a rigorous planning and budgeting process, to help determine the funds required to ensure the Group has the appropriate liquidity to meet its operating and growth objectives.

15. Employee Costs

On average, the Company had 144 (2016 - 137) employees for the year ended 31 December 2017. Total salary and benefits costs are broken down as follows:

	2017	2016
Salaries and wages	\$ 25,606,963	\$ 24,203,388
Social security costs	2,966,735	3,021,955
Other pension costs	880,815	777,403
Other staff costs	216,715	228,825
Total employee costs	<u>\$ 29,671,228</u>	<u>\$ 28,231,571</u>

The Company's share-based compensation plans are described in Note 11.

Beach UK Holdco Limited
Notes to Consolidated Financial Statements
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16. Due From Trust Fund

The Group held the following amounts in trust, for the (re)insurance companies or other parties on whose behalf it acts as an intermediary at 31 December:

	<u>2017</u>	<u>2016</u>
Cash	\$ 72,684,599	\$ 24,085,990
Insurance and reinsurance amounts receivable	<u>78,079,912</u>	<u>66,540,514</u>
Total assets	<u>\$150,764,511</u>	<u>\$ 90,626,504</u>
Insurance and reinsurance amounts payable	\$143,086,398	\$ 85,410,005
Due to Company	<u>7,678,113</u>	<u>5,216,499</u>
Total liabilities	<u>\$150,764,511</u>	<u>\$ 90,626,504</u>

17. Subsequent Event

On 9 March 2018, the Company was purchased by Acrisure LLC, resulting in a change of control of the Group. Acrisure LLC, arranged share and option roll-over and purchase agreements with all shareholders as at year-end through Acrisure Acquisitionco Ltd, of which Acrisure LLC holds 100% ownership.

As a result of the acquisition of the Company, the bank loans, accrued interest on the loans and related expenses were all fully paid. At the same time, the Company wrote off the unamortized borrowing costs.

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Notes to Consolidated Financial Statements
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18. Beach UK Holdco Non-consolidated Information

In accordance with the Companies Act, the following financial statements detail the non-consolidated financial position of Beach UK Holdco Limited as at 31 December 2017. The non-consolidated financial disclosures below follow the same accounting policies for the consolidated company as outlined above. The Company has opted to use the Companies House exemption to exclude a Non-consolidated Statement of Cash Flows.

Beach UK Holdco Limited
Non-consolidated Statement of Comprehensive Income (Loss)
(Denominated in U.S. Dollars)

For the year ended 31 December	2017	(restated) 2016
Revenue	\$ -	\$ -
Operating expenses		
Professional fees	103,725	181,927
Insurance	62,825	42,750
Bank charges	-	205
Foreign exchange gain	(206,662)	(219,426)
	(40,112)	5,456
Income/(loss) from continuing operations before income taxes	40,112	(5,456)
Income taxes		
Deferred income taxes (recovery) (Note 18(c))	44,933	(82,204)
Comprehensive (loss) income before discontinued operations	(4,821)	76,748
Loss from discontinued operations net of income tax expense for the year	(277,160)	(197,647)
Total comprehensive loss for the year	\$ (281,981)	\$ (120,899)

Beach UK Holdco Limited
Non-consolidated Statement Financial Position
(Denominated in U.S. Dollars)

As at 31 December	2017	2016
Assets		
Current		
Investment held for sale (Note 7)	\$ 1,099,163	\$ 1,376,322
Income taxes recoverable	143,496	170,455
Due from related parties (Note 18(a))	<u>1,042,917</u>	<u>1,221,959</u>
	2,285,576	2,768,736
Non-current		
Share subscriptions receivable (Note 8)	5,222,056	4,240,132
Long-term investment (Note 18(b))	<u>36,139,019</u>	<u>35,812,951</u>
Total Assets	\$ 43,646,651	\$ 42,821,819
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	\$ 100	\$ 4,023
Total liabilities	<u>100</u>	<u>4,023</u>
Shareholders' equity		
Share capital and exchangeable share rights (Note 8)	42,937,915	42,171,122
Share options (Note 11)	679,998	336,055
Retained earnings	<u>28,638</u>	<u>310,619</u>
Total shareholders' equity	<u>43,646,551</u>	<u>42,817,796</u>
Total shareholders' equity and liabilities	\$ 43,646,651	\$ 42,821,819

Beach UK Holdco Limited
Non-consolidated Statement of Changes in Shareholders' Equity
(Denominated in U.S. Dollars)

	Share Capital	Share Options	Retained Earnings	Total Shareholders' Equity
31 December 2016	\$ 42,171,122	\$ 336,055	\$ 310,619	\$ 42,817,796
Total Comprehensive loss for the year	-	-	(281,981)	(281,981)
Contributions by and distributions to owners				
Vesting of shares	766,793	-	-	766,793
Share-based compensation	-	343,943	-	343,943
Total Contributions by and distributions to owners	766,793	343,943	-	1,110,736
31 December 2017	\$ 42,937,915	\$ 679,998	\$ 28,638	\$ 43,646,551

Beach UK Holdco Limited
Non-consolidated Statement of Changes in Shareholders' Equity
(Denominated in U.S. Dollars)

	Share Capital	Share Options	Retained Earnings	Total Shareholders' Equity
31 December 2015	\$ 40,974,873	\$ 118,617	\$ 431,518	\$ 41,525,008
Total Comprehensive Loss for the year	-	-	(120,899)	(120,899)
Contributions by and distributions to owners				
issuance of share capital	475,731	-	-	475,731
Vesting of shares	720,518	-	-	720,518
Share-based compensation	-	217,438	-	217,438
Total Contributions by and distributions to owners	1,196,249	217,438	-	1,413,687
31 December 2016	\$ 42,171,122	\$ 336,055	\$ 310,619	\$ 42,817,796

Additional Notes Related to the Non-Consolidated Financial Statements of Beach UK Holdco Limited

18(a). Related Party Transactions

Amounts due from related parties include balances from Beach Capital Holdings Limited and Beach & Associates Limited. These amounts are non-interest bearing and have no fixed terms of repayment. As at year end, \$666,384 (2016 - \$666,384) was due from Beach Capital Holdings Limited and \$376,533 (2016 - \$555,575) was due from Beach & Associates Limited.

Included in share subscriptions receivable is \$3,556,029 (2016 - \$2,999,828) owing from a director.

18(b). Long-Term Investment

Long-term investment includes shares in wholly-owned subsidiaries with amounts at year end of \$3,098,900 (2016 - \$3,098,900) in Beach Re Limited, \$100 (2016 - \$nil) in Beach (International) Limited and \$33,040,019 (2016 - \$32,714,051) in Beach Canada Holdings Inc.

Beach Canada Holdings Inc. wholly owns directly and indirectly, the following subsidiaries: Beach Capital Holdings Limited, Beach & Associates Limited, and Beach (Bermuda) Ltd.

The principal place of business for the six companies mentioned are:

- Canada: Beach Canada Holdings Inc., Beach Capital Holdings Limited, and Beach & Associates Limited
- United States: Beach Re Limited
- Bermuda: Beach (Bermuda) Ltd.
- UK: Beach (International) Limited

Additional Notes Related to the Non-Consolidated Financial Statements of Beach UK Holdco Limited (Continued)

18(c). Income Taxes

The provision for income taxes differs from the result which would be obtained by applying the statutory income tax rates to income before taxes. This difference results from the following items:

	<u>2017</u>	<u>2016</u>
Loss before income taxes	<u>\$ (237,048)</u>	<u>\$ (203,103)</u>
Tax at domestic rate of 19% (2016: 17%)	(45,632)	(34,528)
Increase (decrease) in income tax resulting from:		
Permanent difference	17,030	35,462
Rate differences	-	(101,881)
Other	<u>73,535</u>	<u>18,743</u>
Income tax (recovery) expense	<u>\$ 44,933</u>	<u>\$ (82,204)</u>

Calculation of deferred taxes (deferred tax asset "DTA" and deferred tax liability "DTL") on the temporary differences in carrying values of loss carryforwards between IFRS and tax balance sheet of \$143,496 (2016 - \$101,881). The tax loss carryforwards are available to reduce future years' taxable income to 2037 (2016 - 2036).