REGISTERED NUMBER: 11332008 (England and Wales)

Group Strategic Report, Report of the Directors and

Audited Consolidated Financial Statements for the Year Ended 31 December 2019

for

Granite Holdings One Limited

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Granite Holdings One Limited

Company Information
for the Year Ended 31 December 2019

DIRECTORS:	A P Keating M Gowing C A Lugt B Suquet S C Steyn S D Ashton C T Wright
REGISTERED OFFICE:	The Lighthouse 98 Liverpool Road Formby Liverpool Merseyside L37 6BS
REGISTERED NUMBER:	11332008 (England and Wales)
AUDITORS:	Ernst & Young LLP 25 Churchill Place Canary Wharf London E14 5EY

Group Strategic Report
for the Year Ended 31 December 2019

The directors present their strategic report of the Company and the Group for the year ended 31 December 2019.

REVIEW OF BUSINESS

The Granite Holdings One group (The Granite Group / The Group) specialises in the niche motor insurance market, providing distribution, finance and claims services to our clients. The main subsidiaries within the Group are Acorn Insurance and Financial Services Limited, Granite Finance Ltd and Prospect Legal Limited. Acorn Insurance and Financial Services' principal activity is the distribution of motor insurance products. Granite Finance Ltd provides instalment facilities for insurance policies taken out with Acorn Insurance and Financial Services Limited. Prospect Legal Limited provides a claims handling service for both our clients and insurance partners.

In the year ended 31 December 2019 The Group has continued to experience excellent growth in both turnover and operating profit. Turnover has increased by 30% to £84,325,973 and whilst headline growth is always well received by the directors, the delivery of strong operating profit margins at 48% and the growth of operating profits by 43% to £40,786,825 vs underlying operating profits from the prior year of £28,516,966 firmly underpins the success of the current strategies being deployed.

The Group incurred interest and similar expenses of £33,237,710 in the year, mainly consisting of Loan interest between one of The Groups Subsidiary companies and its Ultimate Parent company Quartz Holdings Limited of £25,812,754 and interest on bank loans of £4,716,555.

The Groups pre-tax profit was £7,569,857 (2018: £14,740,787) and profit after tax was £3,980,624 (2018: £9,994,603). The main driver of the reduction in pre-tax and post-tax profits was 2019 included a full year of interest charges of both the bank loan and the loan with Quartz Holdings Limited.

The Group met all of its financial obligations for the year ended 31 December 2019.

STRATEGY

The Group continues to differentiate itself from the mainstream motor insurance market by specialising in niche areas of the motor market and continues to benefit from the loyalty of its customer base with strong renewal retention across all our main product lines which has assisted the growth of the group overall. Whilst the motor insurance market remains competitive, we do expect to continue to expand the business substantially going forward.

INVESTMENT

Integral to The Groups strategy is its investment in its people, technology and products which has enabled the growth seen this year and will continue to support the company's next period of growth in a competitive and continuously evolving marketplace.

In order to facilitate the growth seen in 2019 and ensure The Group can continue to grow, the senior management team has been expanded and a number of new employees have joined The Group. The Group continues to extensively invest in existing employees through its various training initiatives. At the end of December 2019, The Groups employees number more than 930, an almost 30% increase vs. 2018.

The acquisition of IT Developers Limited was completed in February 2019. The Group has worked with IT Developers Limited for a significant period of time on a number of strategic IT Development initiatives and the acquisition of the business is a natural fit for The Group and its ongoing strategy.

Furthermore, through investment in technology and people The Group has been able to continuously evolve its product lines up to provide the optimum solutions for its customers on an ongoing basis.

PRINCIPAL RISKS AND UNCERTAINTIES

The main risk to The Group is the loss of clients due to overly competitive pricing in our core markets by competitors. We mitigate this risk by monitoring our competitor pricing to ensure our pricing structures are competitive and our service levels exceed that commonly available in our industry. We remain committed to our existing niche areas of the motor market and also to expand into similar classes as the opportunities arise.

Secondly, the risk of an ever-changing regulatory environment is mitigated by continually monitoring our processes and procedures to ensure we remain complaint with all of the latest regulatory requirements and guidance. We continually seek the support of external compliance consultants to test our processes and procedures and adapt where necessary.

Haven Insurance Company Limited (Haven) underwrites a high percentage of the policies which one of The Groups subsidiaries, Acorn Insurance and Financial Services (Acorn) sells, should Haven cease to trade, Acorn would have to find alternative underwriting capacity for these risks, this is mitigated by Acorn having long standing relationships with a multitude of underwriters who would have the capacity to underwrite this business should it need to.

There is a risk associated with the COVID-19 Global pandemic which has significantly impacted the global economy in 2020. Further details on this risk and the uncertainty is covered in a specific note below.

FINANCIAL INSTRUMENTS

The Group's financial instruments consist of items arising directly from operations such as trade debtors and trade creditors. The main risk arising from these financial instruments is the liquidity risk. This is managed by The Group and any necessary impairments reflected in these financial statements.

The Group has unsecured loan notes outstanding with its ultimate parent, Quartz Holdings Limited (Quartz) with a fixed rate of interest of 12% per annum. Whilst interest will accrue on these loan notes, both the principal and the accrued interest do not become due and payable before the 1st November 2024. Any unpaid interest is rolled up into the principal on an annual basis and interest then accrues on this new compounded balance. The Groups' policy is to utilise free cash on a quarterly basis to make cash payments against these loan notes and reduce the liability for the group.

The Group balance sheet includes two loans from Investec Bank PLC totalling £74,894,413 (2018: £83,257,916). Interest is charged at 3.75% and 4.25% above LIBOR and is paid every 6 months. One loan is subject to capital repayments of £9,000,000 per annum.

COVID-19

During the closing stages of Q1 2020, the COVID-19 pandemic reached a stage where a government-imposed lockdown was enforced in order to protect the welfare of UK citizens. The lockdown prompted a significant shift in the countries daily routines and habits which has impacted various areas of the economy in different ways. This lockdown has continued until the date of signing this report, albeit more relaxed than when it was initially implemented.

The Granite Group set out a strategy with 3 key pillars from the start:

1) Protect our People

First and foremost The Group's obligation to protect its people and their health and wellbeing has been of paramount importance. The Group has taken significant steps to protect the most vulnerable people and also give employees where appropriate the ability to work from home.

Significant investment in additional sanitising of the workspace combined with implementing government guidelines where appropriate has enabled us to maintain a safe environment for those employees still required to be office based in order to continue to provide an essential service for our customer base.

2) Protect our Customers

As a Group that provides essential services to the public, it was imperative we put in place measures to ensure our customers could continue to contact us to discuss their changing requirements and support them to ensure they could still go about their day to day lives knowing our products and services were covered their needs during these unprecedented times.

Payment plan options for those using one of The Groups finance products have also been introduced to support those experiencing financial difficulty.

3) Protect our Business
The Group has not been immune to the pandemic and has seen significant changes in its business mix reflecting the ongoing needs of The Groups customer base. Business lines such as Taxi have naturally seen a decrease in demand and we have sought to address this by offering our customers a variety of downgrade options, so they still have the use of their vehicles' during the lockdown but on a reduced basis and offering policy suspensions at no cost to the customer. Conversely, we have seen increases in Private Car and Commercial Vehicle demand as customers sought to utilise private transport over public transport during the lockdown period.

From a profitability perspective the group has gone to great lengths to manage its cost base during this uncertain time in order to protect the longevity of the business. The biggest fixed cost as a Group is staff costs and throughout the pandemic our focus has been on the welfare of our people whilst also ensuring we are able to provide an essential service to our customers in order to keep them on the road during unprecedented times. For those employees unable to work during this time, The Group has implemented the governments Job Retention Scheme to continue to support our people financially whilst also protecting the company from significant drops in income. These cost control measures have broadly offset the changes in volumes and has allowed the group to continue to deliver margins in line with or exceeding those of a pre-COVID environment.

Significant levels of financial modelling have been conducted throughout the pandemic to ensure The Group can plan for as many potential scenarios as possible. This modelling does not suggest any significant impacts to our capital base and shows that the group will continue to operate profitably whilst importantly continue to be able to meet its financial obligations and more specifically continue to meet its obligations in relation to the outstanding Bank Loans.

Given both the extensive modelling and also the actual levels of performance achieved during the worst of the pandemic, Granite is positive that it can continue to trade profitably for the duration of the pandemic thanks to its scalable model and its product portfolio diversity. On this basis the Directors are comfortable with the ability of The Group to continue as a going concern.

Group Strategic Report
for the Year Ended 31 December 2019

SECTION 172(1) STATEMENT
This section of the Strategic Report describes how the Directors have had regard to the matters set out in section 172 (1) (a) to (f), and forms the Directors' statement required under section 414CZA of the Companies Act 2006.

The Granite Group invests in subsidiaries that aim to provide high-quality insurance products and services to its customers whilst also delivering value for its shareholders on a long-term basis.

A vital component of delivering on The Groups primary objective which is to deliver long term value for Shareholder is to ensure the Board balances short term and long-term decision making. For example when making the decision to use any of The Groups free cash to settle accrued loan note interest, the short term free cash availability and thus reduction in accrued debt is weighed against the longer term financial needs of The Group and the level of investment required to achieve its long term strategic goals.

The Directors take an active interest in The Groups employee base, now numbering over 930 people across various subsidiaries. The Board is involved in setting employee strategy and ensuring that employees best interests are kept in mind during all decision-making processes that would have an impact upon employees. For example, when making the decision to transfer employees from Prospect Legal Limited to Acorn Insurance and Financial Services Limited, the Board input into the strategic decision-making process with a focus on ensuring that employees were treated fairly and kept well informed throughout the process.

The Board recognises that The Groups long term strategic goals can only be achieved through engagement with, and consideration of, all stakeholders including our employees, customers, suppliers and regulators. The consideration of stakeholder needs and engagement with stakeholders is not new to The Granite Group and is a continued focus on building long lasting relationships with stakeholders has been key to The Groups success to date.

As a Group with multiple office locations throughout the UK, the operational impacts on society, community and the environment are at the forefront of Directors decision making when evaluating the effectiveness and sustainability of The Groups operations.

There is a long-held belief amongst The Board that the success of The Group is built on its reputational equity which it has built up over a significant period of time. The Board insists on a high quality of service to be provided to its customers and has a zero-tolerance policy with regards to activity which could damage this reputation. The Board fosters this by creating a culture of putting the customer first in every transaction. This is further backed up by the significant number of repeat customers choosing to renew their products and services with The Group year after year.

ON BEHALF OF THE BOARD:

A P Keating - Director

30 June 2020

Report of the Directors
for the Year Ended 31 December 2019

The directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2019.

DIVIDENDS
No dividends will be distributed for the year ended 31 December 2019.

EVENTS SINCE THE END OF THE YEAR
Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS
The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

A P Keating
M Gowing
C A Lugt
S D Ashton

Other changes in directors holding office are as follows:

B Suquet - appointed 30 January 2019
S C Steyn - appointed 30 January 2019

C T Wright was appointed as a director after 31 December 2019 but prior to the date of this report.

J D Harper ceased to be a director after 31 December 2019 but prior to the date of this report.

EMPLOYEE POLICIES
The Group recognises the importance of its employees and encourages staff to realise their maximum potential. The group is committed to giving its employees equal opportunities in employment, training and career development. Its extensive training and development programme creates opportunities for employees and enables them to further their career. Many of the workforce have been awarded a professional qualification which has been generated initially through in house training. Wherever possible, vacancies are filled internally throughout the group and opportunities for internal promotion are created.

The Group communicates to its employees via the use of e-mail, the intranet and an in house publication. The in house article includes general information about the company, introduces any new key staff to its employees and encourages employee feedback and participation in future publications.

The Group strongly supports the principle of equal opportunities and does not discriminate on the grounds of race, age, nationality, religion, ethnic or national origin, sexual orientation, gender or disability.

EVENTS AFTER THE BALANCE SHEET DATE
Since the year end date, the outbreak of the COVID-19 pandemic has had a significant impact on the UK population both in social and economic terms. Our modelling of various COVID-19 scenarios, including the use of available government initiatives does not suggest any significant impacts to our capital base and shows that the group will continue to operate profitably, albeit at reduced levels even under some extreme modelling scenarios.

DISCLOSURE IN THE STRATEGIC REPORT
The strategic report contains information on future developments, financial risk and exposure and research and development activities.

Report of the Directors
for the Year Ended 31 December 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable 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 company will continue in business.

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

AUDITORS

The auditors, Ernst & Young LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

A P Keating - Director

30 June 2020

Report of the Independent Auditors to the Members of Granite Holdings One Limited (Registered number: 11332008)

Opinion
We have audited the financial statements of Granite Holdings One Limited ('the company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the Consolidated Statement Of Comprehensive Income , Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and the related Notes 1 to 27, 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 FRS 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 company's affairs as at 31 December 2019 and of its profit or 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 below. 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.

Emphasis of matter
We draw your attention to Note 2 and Note 26 of the financial statements, which describes the economic and operational consequences the company is facing as a result of COVID-19 which is impacting potential results of the Company. Our opinion is not modified in respect of this matter.

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 this 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 the 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 Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Report of the Independent Auditors to the Members of
Granite Holdings One Limited (Registered number: 11332008)

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 Group Strategic Report or the Report of the Directors.

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page seven, 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 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.

Auditors' 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 a Report of the Auditors 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 Report of the Auditors.

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 a Report of the Auditors 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.

Robert Bruce (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

1st July 2020

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2019

	Notes	31.12.19 £	31.12.18 £
TURNOVER	3	84,325,973	64,839,774
Cost of sales		177,733	176,120
GROSS PROFIT		84,148,240	64,663,654
Administrative expenses		43,361,415	36,146,688
OPERATING PROFIT	5	40,786,825	28,516,966
Interest receivable and similar income		20,742	766,142
		40,807,567	29,283,108
Interest payable and similar expenses	7	33,237,710	14,542,321
PROFIT BEFORE TAXATION		7,569,857	14,740,787
Tax on profit	8	3,589,233	4,746,184
PROFIT FOR THE FINANCIAL YEAR		3,980,624	9,994,603
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,980,624	9,994,603
Profit attributable to:			
Owners of the parent		3,878,531	9,835,996
Non-controlling interests		102,093	158,607
		3,980,624	9,994,603
Total comprehensive income attributable to:			
Owners of the parent		3,878,531	9,835,996
Non-controlling interests		102,093	158,607
		3,980,624	9,994,603

The notes form part of these financial statements

Granite Holdings One Limited (Registered number: 11332008)

Consolidated Balance Sheet
31 December 2019

	Notes	31.12.19 £	31.12.19 £	31.12.18 £	31.12.18 £
FIXED ASSETS					
Intangible assets	10		1,128,278		524,268
Tangible assets	11		1,023,823		1,215,861
Investments	12		-		-
			2,152,101		1,740,129
CURRENT ASSETS					
Stocks	13	9,340		-	
Debtors	14	103,675,156		69,602,077	
Cash at bank and in hand		9,369,561		14,941,682	
		113,054,057		84,543,759	
CREDITORS					
Amounts falling due within one year	15	112,227,001		86,275,157	
NET CURRENT ASSETS/(LIABILITIES)			827,056		(1,731,398)
TOTAL ASSETS LESS CURRENT LIABILITIES			2,979,157		8,731
CREDITORS					
Amounts falling due after more than one year	16		(290,810,634)		(291,216,784)
PROVISIONS FOR LIABILITIES	20		(48,098)		-
NET LIABILITIES			(287,879,575)		(291,208,053)
CAPITAL AND RESERVES					
Called up share capital	21		1		1
Merger reserve	22		(323,789,687)		(323,789,687)
Retained earnings	22		35,910,111		32,282,912
SHAREHOLDERS' FUNDS			(287,879,575)		(291,506,774)
NON-CONTROLLING INTERESTS	23		-		298,721
TOTAL EQUITY			(287,879,575)		(291,208,053)

The financial statements were approved by the Board of Directors and authorised for issue on 30 June 2020 and were signed on its behalf by:

A P Keating - Director

The notes form part of these financial statements

Granite Holdings One Limited (Registered number: 11332008)

Company Balance Sheet
31 December 2019

	Notes	31.12.19 £	£	31.12.18 £	£
FIXED ASSETS					
Intangible assets	10		-		-
Tangible assets	11		-		-
Investments	12		1		1
			1		1
CURRENT ASSETS					
Debtors	14	1		1	
CREDITORS					
Amounts falling due within one year	15	26,201		8,001	
NET CURRENT LIABILITIES			(26,200)		(8,000)
TOTAL ASSETS LESS CURRENT LIABILITIES			(26,199)		(7,999)
CAPITAL AND RESERVES					
Called up share capital	21		1		1
Retained earnings	22		(26,200)		(8,000)
SHAREHOLDERS' FUNDS			(26,199)		(7,999)
Company's loss for the financial year			(18,200)		(8,000)

The financial statements were approved by the Board of Directors and authorised for issue on 30 June 2020 and were signed on its behalf by:

A P Keating - Director

The notes form part of these financial statements

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2019

	Called up share capital £	Retained earnings £	Merger reserve £
	Called up share capital £	Retained earnings £	Merger reserve £
Balance at 1 January 2018	1	22,446,916	3,685
Changes in equity			
Total comprehensive income	-	9,835,996	-
Merger reserve movement on business combination	-	-	(323,793,372)
Balance at 31 December 2018	1	32,282,912	(323,789,687)
Changes in equity			
Total comprehensive income	-	3,878,531	-
	1	36,161,443	(323,789,687)
Acquisition of non-controlling interest	-	(251,332)	-
Balance at 31 December 2019	1	35,910,111	(323,789,687)

	Total £	Non-controlling interests £	Total equity £
Balance at 1 January 2018	22,450,602	162,429	22,613,031
Changes in equity			
Dividends	-	(22,315)	(22,315)
Total comprehensive income	9,835,996	158,607	9,994,603
Merger reserve movement on business combination	(323,793,372)	-	(323,793,372)
Balance at 31 December 2018	(291,506,774)	298,721	(291,208,053)
Changes in equity			
Dividends	-	(99,396)	(99,396)
Total comprehensive income	3,878,531	102,093	3,980,624
	(287,628,243)	301,418	(287,326,825)
Acquisition of non-controlling interest	-	(301,418)	(552,750)
Balance at 31 December 2019	(286,628,243)	-	(287,879,575)

The notes form part of these financial statements

Company Statement of Changes in Equity
for the Year Ended 31 December 2019

	Called up share capital £	Retained earnings £	Total equity £
Changes in equity			
Issue of share capital	1	-	1
Total comprehensive income	-	(8,000)	(8,000)
Balance at 31 December 2018	1	(8,000)	(7,999)
Changes in equity			
Total comprehensive income	-	(18,200)	(18,200)
Balance at 31 December 2019	1	(26,200)	(26,199)

The notes form part of these financial statements

Granite Holdings One Limited (Registered number: 11332008)

Consolidated Cash Flow Statement for the Year Ended 31 December 2019

	Notes	31.12.19 £	31.12.18 £
Cash flows from operating activities			
Cash generated from operations	1	33,953,559	28,139,825
Interest paid		(2,094,940)	(1,975,650)
Interest element of hire purchase payments paid		(380)	(1,413)
Tax paid		(4,508,141)	(5,938,025)
Net cash from operating activities		27,350,098	20,224,737
Cash flows from investing activities			
Purchase of intangible fixed assets		(488,279)	(437,549)
Purchase of tangible fixed assets		(497,209)	(1,053,560)
Sale of tangible fixed assets		3,023	50,865
Acquisition of business		(303,239)	-
Interest received		14,040	1,530
Net cash from investing activities		(1,271,664)	(1,438,714)
Cash flows from financing activities			
New loans in year		-	87,313,880
Loan repayments in year		(9,000,000)	(20,100,000)
Loan notes repaid		-	(96,468,408)
Loan interest paid		(21,995,909)	(1,110,735)
Capital repayments in year		(5,250)	(15,635)
Dividends paid to minority interests		(99,396)	(22,315)
Acquisition of non-controlling interest		(550,000)	-
Net cash from financing activities		(31,650,555)	(30,403,213)
Decrease in cash and cash equivalents		(5,572,121)	(11,617,190)
Cash and cash equivalents at beginning of year	2	14,941,682	26,558,872
Cash and cash equivalents at end of year	2	9,369,561	14,941,682

The notes form part of these financial statements

Notes to the Consolidated Cash Flow Statement for the Year Ended 31 December 2019

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	31.12.19	31.12.18
	£	£
Profit before taxation	7,569,857	14,740,787
Amortisation charges	345,079	356,000
Depreciation charges	711,697	531,681
Profit on disposal of fixed assets	(3,023)	(18,511)
	-	56,515
Finance costs	33,237,710	14,542,321
Finance income	(20,742)	(766,142)
	41,840,578	29,451,651
Increase in stocks	(9,340)	-
Increase in trade and other debtors	(34,042,573)	(9,186,322)
Increase in trade and other creditors	26,164,894	7,874,496
Cash generated from operations	33,953,559	28,139,825

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2019

	31.12.19	1.1.19
	£	£
Cash and cash equivalents	9,369,561	14,941,682

Year ended 31 December 2018

	31.12.18	1.1.18
	£	£
Cash and cash equivalents	14,941,682	26,558,872

Cash and cash equivalents is represented by the following:

	31.12.19	31.12.18
	£	£
Cash at bank and in hand	4,827,361	6,657,874
Fiduciary funds	4,542,200	8,283,808
	9,369,561	14,941,682

Notes to the Consolidated Cash Flow Statement
for the Year Ended 31 December 2019

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.1.19	Cash flow	Other non-cash changes	At 31.12.19
	£	£	£	£
Net cash				
Cash and cash equivalents	14,941,682	(5,572,121)		9,369,561
	14,941,682	(5,572,121)		9,369,561
Debt				
Finance leases	(5,250)	5,250	-	-
Debts falling due within 1 year	(9,000,000)	-	-	(9,000,000)
Debts falling due after 1 year	(291,216,784)	9,000,000	(8,518,850)	(290,735,634)
	(300,222,034)	9,005,250	(8,518,850)	(299,735,634)
Total	(285,280,352)	3,433,129	(8,518,850)	(290,366,073)

1. STATUTORY INFORMATION

Granite Holdings One Limited is a private company, limited by shares, registered in England and Wales. The company's registered number is 11332008 and registered office is The Lighthouse, 98 Liverpool Road, Formby, Liverpool, L37 6BS.

The presentational currency and functional currency is Pound Sterling (£).

2. ACCOUNTING POLICIES

Basis of preparing the financial statements
These financial statements have been prepared on a going concern basis in accordance with applicable United Kingdom accounting standards, including FRS 102- The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and with the Companies Act 2006. These financial statements have applied the requirements of the FRS Triennial Review 2017 for periods beginning on or after 1st January 2019.

The financial statements have been prepared under the historical cost convention.

The presentation currency and functional currency is Pound Sterling (£).

Following the adoption of merger accounting in 2018, the Group is in a net liability position. In considering going concern, the Directors have reviewed the Group's future cash requirements, earnings projections and cash requirements over the next twelve months. Furthermore, various stress and scenario tests have taken place to assess the potential impact on the Group of COVID-19, considering the potential impact on revenue, cost control measures and the impact on the Group's ability to continue to operate, together with liquidity and other non-insurance activities for the wider Group. The Directors believe these forecasts have been prepared on a prudent basis and have also considered the impact of a range of potential changes to trading performance over the next 12 months from the date of signing the financial statements.

This modelling does not suggest any significant impacts to the capital base and shows that the group will continue to operate profitably whilst importantly continue to be able to meet its financial obligations. In particular the Directors are satisfied that the Group will generate and retain sufficient cash to allow it to meet its liabilities in relation to the senior debt facility at the time contractual payments are due. In addition, the Directors are satisfied that the Group will not breach any of its existing banking covenants. Furthermore, the Directors are satisfied that the ability transfer cash up through the Group will not be impeded. This is supported by the Group's current trading and its cash position at the time of signing the accounts.

continued...

2. ACCOUNTING POLICIES - continued

Basis of consolidation

On 1st February 2019 a subsidiary of the Group, Granite Underwriting Limited, acquired 100% of the share capital of IT Developers Limited for a cash consideration of £655,388. £150,000 of the consideration is deferred to 2020 and 2021 and is payable when performance conditions are satisfied. The acquisition has been accounted for using acquisition accounting.

The following amounts of assets and liabilities were recognised at the acquisition date:

	Carrying value & fair value
	£
Property plant and equipment	22,450
Cash and equivalents	202,149
Trade and other receivables	44,094
Trade and other payables	(74,115)
Total identifiable net assets	194,578
Goodwill	460,810
Total	655,388

On 31st December 2019 Granite Underwriting Limited purchased the non-controlling interest of one of its subsidiaries Flag Insurance (Brokers) Limited. The cash consideration, including stamp duty, was £552,750, the minority interest balance at that date was £301,418. In accordance with FRS 102, Section 22, paragraph 19 the goodwill has not increased and the difference between the consideration and the minority interest acquired is recognised in retained earnings.

On 1st August 2018, Granite Investments One Limited was part of a wider group restructure which resulted in Granite Underwriting Limited becoming a wholly owned subsidiary of Granite Investments One Limited. Granite Underwriting Limited has four trading subsidiaries and has been grouped since 2008.

Following the restructure the 2018 financial statements were prepared under the merger accounting basis as permitted by FRS 102 section 19.27 which states that company law must not prohibit the use of merger accounting, the ultimate equity holders must remain the same with the rights of each equity holder being unchanged and that no non-controlling interest in the net assets of the group is altered.

The combining entities are Granite Investments One Limited, Granite Underwriting Limited, Acorn Insurance and Financial Services Limited, Granite Finance Limited, Prospect Legal Limited and Flag Insurance (Brokers) Limited.

As per FRS 102 19.29 merger accounting allows the carrying value of the assets and liabilities of the combining entities to be used, although appropriate adjustments have been made to achieve uniformity of accounting policies and to remove any transactions and balances that have been conducted between the combining entities.

FRS 102 19.30 allows the results and cash flows of all combining entities to be brought into the financial statements of the combined entity from the beginning of the financial year in which the combination occurred and for the comparative information to be restated by including the total comprehensive for all combining entities for the previous reporting period and their statement of financial position for the previous reporting date.

As described in FRS 102 19.31 the difference between the value of the shares and the fair value of the consideration is shown as a movement on other reserves in these consolidated financial statements and shown in the statement of changes in equity.

The consideration for Granite Underwriting Limited given by Granite Investments One Limited as part of the group restructure in 2018 was £323,793,373 of loan notes. £103,367,115 of the loan notes have been repaid, £96,468,408 in cash.

continued...

2. **ACCOUNTING POLICIES - continued**

Significant judgements and estimates
In the application of the group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily available from other sources. The estimates and underlying assumptions are based on experience and other factors considered to be relevant. Actual results may differ from these estimates.

The key judgements and sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below:

Estimated useful lives and residual values of fixed assets
As described in the accounting policies, depreciation and amortisation of tangible and intangible fixed assets has been based on estimated useful lives and residual values deemed appropriate by the directors. Estimated useful lives and residual values are reviewed annually and revised if necessary.

Turnover
The Group's turnover, derived from ordinary activities and excluding VAT where applicable, represents the following:

Brokerage commission and fees, net of any sub agent commission, which is credited to the profit and loss account on the policy commencement date.

Interest income is recognised in the profit and loss account for all loans and receivables measured at amortised cost using the effective interest rate method. Interest is recognised as it is received. Late payment fees are recognised as they are received.

Fees for claims handling services and marketing are recognised as the service is provided and is included net of value added tax.

Credit repair income is a commission received from vehicle hire companies, the income is recognised when the referral is active and the hire commences.

IT Related sales relate to development and hosting services and the resale of IT hardware. Income is recognised on the dispatch of goods or as the service is provided.

Goodwill
Goodwill has arisen from previous acquisitions made by subsidiaries acquired in 2018, Granite Underwriting Limited and Acorn Insurance and Financial Services Limited. These acquisitions were accounted for using the purchase method and the goodwill is the difference between the consideration paid and the acquirers' interest in the fair value of the net assets and liabilities of the subsidiary it has acquired.

In the year to 31st December 2019, additional goodwill has been recognised on the acquisition of IT Developers Limited.

Goodwill is subsequently measured at cost less accumulated amortisation and accumulated impairment where applicable. The goodwill is amortised evenly over its estimated useful life of up to 10 years.

Intangible assets
Intangible assets other than goodwill consists of software development costs. Intangible assets are recorded at cost less accumulated amortisation and any provision for impairment if applicable.

Additions in the year relate to various development projects, website development, mobile app development, licences and portals which are being amortised between 12 - 36 months.

continued...

2. **ACCOUNTING POLICIES - continued**

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Improvements to property	- 33% on cost and 10% on cost
Fixtures and fittings	- 33% on cost and 20% on cost
Motor vehicles	- 33% on cost and 25% on cost
Computer equipment	- 33% on cost and 25% on cost

Fixed assets are recorded at cost less depreciation and any provision for impairment.

Stocks
Work in progress is valued at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out method and includes all purchase, transport, and handling costs in bringing stocks to their present location and condition.

Financial instruments
All financial instruments are considered to be basic financial instruments under FRS 102, Section 11.

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

Loans receivable represent the future capital repayments of the short term finance provided to customers, less any impairment. Interest in recognised in the profit and loss account as it becomes due and is calculated using the effective interest rate method.

Trade debtors are recognised when the debit is raised, initially at fair value and subsequently measured at amortised cost less provision for impairment. A provision for impairment in trade receivables is established when there is evidence that the Group will not be able to collect all amounts due.

Trade creditors represent insurance premiums due and are repaid within the terms given by the insurance company.

Bank loans represent two loans from Investec Bank PLC interest is accrued daily at annual rates of 3.75% and 4.25% above LIBOR and charged to the income statement. Loan A is repaid in equal instalments within 5 years. Loan B is a 6 year loan and is due in July 2023 Interest is paid bi-annually. The loan is initially recognised at the fair value of the proceeds, net of related transaction costs. The loans are then stated at amortised cost using the effective interest method.

Loan notes are owned by the ultimate parent company Quartz Holdings Limited and attract interest at a fixed rate of 12% per annum. The loans are unsecured with a repayment date of 1st November 2024. The loan notes are listed on The International Stock Exchange in Guernsey.

Taxation
Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

continued...

2. **ACCOUNTING POLICIES - continued**

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Research and development

Expenditure on projects that are in the research phase is written off in the year in which it is incurred and relates to insurance telematics, mobile app development, website development and digital customer portals.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to profit or loss over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

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

Fixed asset investments

Fixed asset investments in the parent company balance sheet are recorded at cost.

A subsidiary, Granite Underwriting Limited recognises investments in subsidiaries initially at cost and subsequently at revaluation. This revaluation is eliminated on consolidation.

3. **TURNOVER**

The turnover and profit before taxation are attributable to the principal activities of the group.

An analysis of turnover by class of business is given below:

	31.12.19	31.12.18
	£	£
Insurance broking	47,509,096	36,276,487
Finance interest and fees	22,454,613	16,269,135
Claims handling	10,481,806	9,170,281
Marketing fees	2,201,627	2,008,411
Credit hire	1,196,261	1,077,760
IT related	446,570	-
Other income	36,000	37,700
	84,325,973	64,839,774

continued...

4. EMPLOYEES AND DIRECTORS

	31.12.19	31.12.18
	£	£
Wages and salaries	21,643,701	17,675,165
Social security costs	1,912,175	1,663,584
Other pension costs	511,312	371,897
	24,067,188	19,710,646

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

	31.12.19	31.12.18
Administration	859	722

Some of the subsidiaries within the Group operate a defined contribution pension scheme that all employees in that company are entitled to join. The cost to the Group for the year amounted to £508,849 (2018: £371,898 included in other creditors is £102,325 (2018: £38,192) relating to pension contributions unpaid at the year end.

	31.12.19	31.12.18
	£	£
Directors' remuneration	533,788	361,156
Directors' pension contributions to money purchase schemes	70,711	53,961

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	2	2

Information regarding the highest paid director is as follows:

	31.12.19	31.12.18
	£	£
Emoluments etc	268,715	180,687
Pension contributions to money purchase schemes	35,355	26,980

5. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	31.12.19	31.12.18
	£	£
Hire of plant and machinery	46,474	55,706
Depreciation - owned assets	711,697	486,059
Depreciation - assets on hire purchase contracts	-	54,623
Profit on disposal of fixed assets	(3,023)	(18,511)
Goodwill amortisation	134,336	290,664
Development costs amortisation	210,743	65,334
Auditors' remuneration	5,000	5,000
Auditors' remuneration- subsidiaries	47,500	47,500
Operating leases- rent	1,388,668	576,141
Other operating leases	455,484	97,916
Research & development	-	878,116

continued...

6. EXCEPTIONAL ITEMS

	31.12.19	31.12.18
	£	£
Exceptional items	(263,504)	(2,185,500)

Exceptional items in 2018 relate to one off fees pertaining to a group restructure and a one off staff loyalty bonus given to employees to recognise the excellent performance of the company over a continuous number of years. Exceptional items in 2019 relate to the same group restructure fees that occurred in 2018.

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	31.12.19	31.12.18
	£	£
Bank interest	49	-
Loan interest	28,520,726	11,677,091
Corporation tax interest	-	4,105
Bank loan interest	4,716,555	2,859,712
Hire purchase	380	1,413
	33,237,710	14,542,321

8. TAXATION

Analysis of the tax charge
The tax charge on the profit for the year was as follows:

	31.12.19	31.12.18
	£	£
Current tax:		
UK corporation tax	3,831,108	4,725,046
Under/(over) provision in prior year	(301,396)	9,976
Total current tax	3,529,712	4,735,022
Deferred tax:		
Origination and reversal of timing differences	59,521	11,162
Tax on profit	3,589,233	4,746,184

continued...

8. TAXATION - continued

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.19	31.12.18
	£	£
Profit before tax	7,569,857	14,740,787
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	1,438,273	2,800,750
Effects of:		
Expenses not deductible for tax purposes	2,459,420	2,057,709
Income not taxable for tax purposes	-	(8,828)
Adjustments to tax charge in respect of previous periods	(306,357)	27,956
Consolidation adjustments not taxable	(2,103)	12,363
Enhanced deduction for research and development	-	(143,766)
Total tax charge	3,589,233	4,746,184

The wider group, Quartz Holdings Limited is subject to a corporate interest restriction. A restriction has not been applied to any members of the Granite Holdings One Limited Group in the current period and will be the liability of the wider Group (to the extent one exists). Gross interest of £3,681,100 was subject to the corporate interest restriction in 2018 for Granite Investments One Limited and should be available for future use where it can be demonstrated that there is both sufficient interest capacity under the corporate interest restriction rules and sufficient profits to realise the benefit. At the balance sheet date, the Directors are unable to establish that this is the case and therefore no deferred tax asset (£625,787 at 17%) has been recognised.

The Finance Act 2016 (enacted on 15 September 2016) reduced the UK tax rate from 19% to 17% from 1 April 2020. Accordingly, the effects of these changes are reflected in the financial statements for the year ended 31 December 2019. The Company has provided deferred tax on its timing differences with reference to these rates. The Finance Bill 2020, which was substantively enacted on 17 March 2020, included the cancellation of the reduction from 19% to 17% from 1 April 2020. The Company has considered the effect of the future rate changes to be immaterial on the deferred tax recognised, and would increase the unrecognised deferred tax asset to £699,409.

9. INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

The parent company loss for the year was £18,200 (2018: £8,000).

continued...

10. INTANGIBLE FIXED ASSETS

Group

	Goodwill £	Development costs £	Totals £
COST			
At 1 January 2019	4,343,595	989,372	5,332,967
Additions	-	488,279	488,279
Acquisitions through business combinations	460,810	-	-
At 31 December 2019	4,804,405	1,477,651	6,282,056
AMORTISATION			
At 1 January 2019	4,191,542	617,157	4,808,699
Amortisation for year	134,336	210,743	345,079
At 31 December 2019	4,325,878	827,900	5,153,778
NET BOOK VALUE			
At 31 December 2019	478,527	649,751	1,128,278
At 31 December 2018	152,053	372,215	524,268

Development cost additions in the year relate to various development projects, website development, mobile app development, licences and portals.

Goodwill is in relation to business combinations and the additions in the year relate to the acquisition of IT Developers Limited.

11. TANGIBLE FIXED ASSETS

Group

	Short leasehold £	Improvements to property £	Plant and machinery £
COST			
At 1 January 2019	11,166	26,230	-
Additions	959	-	-
Disposals	-	-	-
Acquisitions through business combinations	-	-	11,785
At 31 December 2019	12,125	26,230	11,785
DEPRECIATION			
At 1 January 2019	555	25,128	-
Charge for year	4,041	540	336
Eliminated on disposal	-	-	-
At 31 December 2019	4,596	25,668	336
NET BOOK VALUE			
At 31 December 2019	7,529	562	11,449
At 31 December 2018	10,611	1,102	-

continued...

11. **TANGIBLE FIXED ASSETS - continued**

Group

	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
COST				
At 1 January 2019	1,096,963	253,676	1,890,509	3,278,544
Additions	110,547	10,000	375,703	497,209
Disposals	-	(11,250)	-	(11,250)
Acquisitions through business combinations	10,665	-	-	22,450
At 31 December 2019	1,218,175	252,426	2,266,212	3,786,953
DEPRECIATION				
At 1 January 2019	591,230	176,591	1,269,179	2,062,683
Charge for year	254,321	45,536	406,923	711,697
Eliminated on disposal	-	(11,250)	-	(11,250)
At 31 December 2019	845,551	210,877	1,676,102	2,763,130
NET BOOK VALUE				
At 31 December 2019	372,624	41,549	590,110	1,023,823
At 31 December 2018	505,733	77,085	621,330	1,215,861

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Motor vehicles £
COST	
At 1 January 2019	373,816
Transfer to ownership	(373,816)
At 31 December 2019	-
DEPRECIATION	
At 1 January 2019	338,946
Transfer to ownership	(338,946)
At 31 December 2019	-
NET BOOK VALUE	
At 31 December 2019	-
At 31 December 2018	34,870

continued...

12. FIXED ASSET INVESTMENTS

Company

	Shares in group undertakings £
COST	
At 1 January 2019	
and 31 December 2019	1
NET BOOK VALUE	
At 31 December 2019	1
At 31 December 2018	1

All subsidiaries (direct and indirect) of Granite Holdings One Limited are included in these consolidated financial statements and are as follows:

Name of undertaking	Country of Incorporation	Description of shares held	Holding
Granite Investments One Limited	England and Wales	Ordinary £1 Shares	100%
Granite Underwriting Limited	England and Wales	Ordinary £1 Shares	100%
Acorn Insurance and Financial Services Limited	England and Wales	Ordinary £1 Shares	100%
Granite Finance Ltd	England and Wales	Ordinary £1 Shares	100%
Prospect Legal Limited	England and Wales	Ordinary £1 Shares	100%
Flag Insurance (Brokers) Limited	England and Wales	'B' £1 Shares	100%
Flag Insurance (Brokers) Limited	England and Wales	'A' £1 Shares	100%
IT Developers Limited	England and Wales	Ordinary £1 Shares	100%

-Granite Underwriting Limited and Granite Investments Limited are holding companies investing in insurance related businesses
-Acorn Insurance and Financial Services and Flag Insurance (Brokers) Limited are insurance brokers
-Granite Finance Ltd is a short term finance provider
-Prospect Legal Limited is a claims management company
-IT Developers Limited develop software and mobile applications with support

All registered office addresses are 98 Liverpool Road, Formby, L37 6BS.

On 1 February 2019 Granite Underwriting Limited purchased the entire share capital of IT Developers Limited, the cash consideration was £655,388. Some of the consideration is contingent with conditions to be met in the year ending 31 December 2019 and 31 December 2020. The deferred amount is £150,000, £75,000 is payable in 2020 and £75,000 in 2021.

On 31 December 2019 the remaining 50% of the share capital of Flag Insurance (Brokers) Limited (consisting of 'A' Shares only) was acquired for a cash consideration of £552,750 to make it a wholly owned subsidiary of the Group. In the prior year the group did not hold a majority shareholding in Flag Insurance (Brokers) Limited it did exercise control over the company as it was able to appoint and remove the majority of directors. On this basis the company qualified as a subsidiary in accordance with the Companies Act 2006 section 1159 (1)(b) as it therefore has control of the financial and operating activities of the entity.

continued...

13. STOCKS

	Group	
	31.12.19	31.12.18
	£	£
Work-in-progress	9,340	-

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31.12.19	31.12.18	31.12.19	31.12.18
	£	£	£	£
Trade debtors	8,752,052	7,202,808	-	-
Loans receivable	93,084,624	61,007,731	-	-
Amounts owed by group undertakings	530,384	-	-	-
Other debtors	177,489	699,565	1	1
VAT	-	50,565	-	-
Deferred tax asset	-	11,423	-	-
Prepayments and accrued income	1,130,607	629,985	-	-
	103,675,156	69,602,077	1	1

Deferred tax asset

	Group		Company	
	31.12.19	31.12.18	31.12.19	31.12.18
	£	£	£	£
Deferred tax	-	11,423	-	-

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31.12.19	31.12.18	31.12.19	31.12.18
	£	£	£	£
Bank loans and overdrafts (see note 17)	9,000,000	9,000,000	-	-
Hire purchase contracts (see note 18)	-	5,250	-	-
Trade creditors	97,653,678	71,240,242	-	-
Amounts owed to group undertakings	-	-	8,100	-
Tax	306,669	1,293,965	-	-
Social security and other taxes	552,322	1,023,205	-	-
VAT	322,397	-	-	-
Other creditors	2,576,137	1,730,278	1	1
Accruals and deferred income	1,815,798	1,982,217	18,100	8,000
	112,227,001	86,275,157	26,201	8,001

continued...

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group	
	31.12.19	31.12.18
	£	£
Bank loans (see note 17)	65,894,413	74,257,916
Loan notes (see note 17)	224,841,221	216,958,868
Accruals and deferred income	75,000	-
	290,810,634	291,216,784

17. LOANS

An analysis of the maturity of loans is given below:

	Group	
	31.12.19	31.12.18
	£	£
Amounts falling due within one year or on demand:		
Bank loans	9,000,000	9,000,000
Amounts falling due between one and two years:		
Bank loans - 1-2 years	9,000,000	9,000,000
Amounts falling due between two and five years:		
Bank loans - 2-5 years	56,894,413	65,257,916
Loan notes	224,841,221	-
	281,735,634	65,257,916
Amounts falling due in more than five years:		
Repayable otherwise than by instalments		
Loan notes	-	216,958,868

The group balance sheet includes two loans from Investec Bank PLC totalling £74,894,413 (2018: £83,257,916). Interest is charged at 3.75% and 4.25% above LIBOR and is paid every 6 months. One loan is subject to capital repayments of £9,000,000 per annum.

Loan notes are owned by the ultimate parent company Quartz Holdings Limited and attract interest at a fixed rate of 12% per annum. The loans are unsecured with a repayment date of 1st November 2024. The loan notes are listed on The International Stock Exchange, Guernsey.

18. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

Group

	Hire purchase contracts	
	31.12.19	31.12.18
	£	£
Net obligations repayable:		
Within one year	-	5,250

continued...

18. LEASING AGREEMENTS - continued

Group

	Non-cancellable operating leases	
	31.12.19	31.12.18
	£	£
Within one year	1,072,402	906,032
Between one and five years	2,437,926	2,462,413
In more than five years	668,507	641,011
	4,178,835	4,009,456

19. SECURED DEBTS

The following secured debts are included within creditors:

	Group	
	31.12.19	31.12.18
	£	£
Bank loans	74,894,413	83,257,916
Hire purchase contracts	-	5,250
	74,894,413	83,263,166

Investec Bank PLC holds charges over the assets of Granite Underwriting Limited, Granite Finance Limited and Acorn Insurance and Financial Services Limited in respect of a loan made to Granite Investments One Limited.

Hire purchase contracts are secured against the assets that they relate to.

20. PROVISIONS FOR LIABILITIES

	Group	
	31.12.19	31.12.18
	£	£
Deferred tax	48,098	-

Group

	Deferred tax
	£
Balance at 1 January 2019	(11,423)
Accelerated capital allowances	59,521
Balance at 31 December 2019	48,098

The deferred tax liability represents timing differences in respect of assets that are being depreciated at a rate lower rate than the tax writing down allowances. Additions in the year have qualified for Annual Investment Allowances. The amount of deferred tax expected to reverse in the following year is £55,132.

continued...

21. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.12.19 £	31.12.18 £
1	Ordinary	£1	1	1

22. RESERVES

Group

	Retained earnings £	Merger reserve £	Totals £
At 1 January 2019	32,282,912	(323,789,687)	(291,506,775)
Profit for the year	3,878,531		3,878,531
Acquisition of non-controlling interest	(251,332)	-	(251,332)
At 31 December 2019	35,910,111	(323,789,687)	(287,879,576)

Company

	Retained earnings £
At 1 January 2019	(8,000)
Deficit for the year	(18,200)
At 31 December 2019	(26,200)

23. NON-CONTROLLING INTERESTS

Minority interest movement in respect of the minority shareholder in Flag Insurance (Brokers) Limited.

	£
Balance at 31 December 2018	298,721
50% of the profit of Flag Insurance (Brokers) Limited for the year	102,093
Minority interest dividend paid	(99,396)
Acquisition of non-controlling interest	(301,418)
At 31 December 2019	-

The non-controlling interest in Flag Insurance (Brokers) Limited was acquired for a cash consideration of £552,750 on 31 December 2019. The excess consideration of £251,332 over the minority interest balance is debited to retained earnings.

24. CONTINGENT LIABILITIES

One of The Groups subsidiary companies, Acorn Insurance and Financial Services (Acorn) has an agreement with its long-standing provider of insurance products, Haven Insurance Company Limited (Gibraltar) whereby if certain underwriting-based targets are not met over a specified time period then contractual payments to Haven then become due. These targets are based on the value of claims paid as a percentage of the premiums written connected to a specific underwriting year. Targets are in place for the 2018 underwriting year and the 2019 underwriting year.

When the targets are set, the actual outcome is unknown until 48 months after the start of the target year, so for the 2018 underwriting year, it would not be known what the amount payable, if any payment was due, would be until December 2021 and December 2022 for the 2019 underwriting year.

Due to the way in which insurance claims are initially recognised, as an estimate, and the time it takes for insurance claims to be settled and paid it is inherently hard to assess how probable a payment would be and even more difficult to assess how much any payment again is likely to be. As time progresses and insurance claims are settled and paid rather than just estimated the result against the target become clearer.

Acorn looks at actual claims data on an annual basis and makes an assessment as to the probability and how reliably any future financial obligations can be estimated. At the year-end 31 December 2019 it was concluded that whilst a future liability with Haven is possible it was not yet probable and the amount cannot be reliably estimated at this stage for either the 2018 and 2019 underwriting years. As such the directors have concluded that no liability should be provided for in the financial statements.

25. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.

Entities with control, joint control or significant influence over the entity

	31.12.19	31.12.18
	£	£
Sales	-	764,611
Interest	(25,812,754)	(10,325,983)
Amount due to related party	(224,665,376)	(216,958,868)

Entities that are under common control

	31.12.19	31.12.18
	£	£
Sales	30,828,290	25,068,359
Purchases	(368,004)	(221,482)
Interest paid	(2,707,972)	(1,351,108)
Amount due from related party	1,387,148	773,212
Amount due to related party	(97,677,725)	(62,740,209)

Other related parties

	31.12.19	31.12.18
	£	£
Purchases	(263,504)	(636,496)
Interest	(14,436)	-
Amount due to related party	(2,093,250)	(636,496)

continued...

26. POST BALANCE SHEET EVENTS

Since the year end date, the outbreak of the COVID-19 pandemic has had a significant impact on the UK population both in social and economic terms. The pandemic is considered a non-adjusting event and therefore no allowance for losses or other financial impacts has been made in the financial statements.

Management has performed a stress and sensitivity analysis over the Group's assets to determine any potential impact the COVID-19 pandemic may have on their value and recoverability. The Group's assets have been assessed for impairment and none were found to be impaired. The modelling of various COVID-19 scenarios, including the use of available government initiatives does not suggest any significant impacts to the capital base and shows that the Group will continue to operate profitably, albeit at reduced levels even under some extreme modelling scenarios. The modelling has also taken in to account the Group's ability to continue to meet the existing covenants attached to the senior debt.

Throughout COVID-19 the group also embarked upon a strategy of cash preservation, focussing on efficient working capital management. These cash preservation measures have seen the group's cash balances increase from £4.8m at the balance sheet date to £14.8m at the end of May 2020.

Further information related the potential impact of COVID-19 on the Group, its strategic response to the pandemic and its business continuity plans to ensure operational effectiveness, can be found in the Strategic report.

27. ULTIMATE CONTROLLING PARTY

The ultimate parent company is Quartz Holdings Limited, a company registered in Guernsey. Registered office address is Roseneath, The Grange, St Peter Port, Guernsey, GY1 2QJ.