Ed Broking Group Limited

Consolidated Financial Statements

Year ended 31 December 2018

Ed.

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Directors

Stephen Hearn (CEO)
Neil Perry
Andrew Wallin
John Whiter (Non-Executive)
James Lightbourne
Robert Stevens

Registered office

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London
EC3A 2EB

Registered number

07254605

Independent auditor

Deloitte LLP
Statutory Auditor
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Principal bankers

Royal Bank of Scotland
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Strategic Report for the year ended 31 December 2018

The Directors present their strategic report and the audited consolidated financial statements of Ed Broking Group Limited ('the Group' or 'Ed Group') and the separate financial statements of Ed Broking Group Limited ('the Company') for the year ended 31 December 2018. Ed Broking Group Limited is a private company limited by shares.

Principal activities

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

Key events in the year

Following the investments made in the business during 2017, 2018 was a period of consolidation as we embedded our new Producers and began to benefit from the wider product range and new client relationships.

Our activities throughout the year were centred on the following areas:

- Footprint
- Production Talent
- Data and Analytics
- Change of ownership

Footprint

At 31 December 2018, the Group had a global network of 13 offices and around 500 employees under the Ed Group structure. The registered office of the Group can be found on Page 3.

As a result of the investments made in 2017 we increased our product offerings across our global network. We are now able to offer an extensive product range across the major insurance hubs of the world. 7

	London	Germany	Dubai	Singapore	Hong Kong	Miami	France	Australia
Products								
Marine	✓	✓	✓	✓	✓		✓	
Energy	✓		✓	✓	✓	✓		✓
Cargo	✓	✓	✓	✓	✓		✓	
Reinsurance	✓	✓				✓	✓	
Aerospace	✓		✓	✓	✓			
Property & Casualty	✓	✓	✓	✓	✓	✓	✓	✓
Financial & Political Risks	✓	✓	✓	✓	✓	✓		✓
Risk Solutions	✓							
ProEx	✓					✓		
A&H	✓	✓	✓	✓	✓	✓	✓	✓

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

In Australia and France we have grown our underwriting propositions with new products in both markets.

	2018		2017	
	Producer Heads	Non-Producer Heads	Producer Heads	Non-Producer Heads
London	133	182	135	187
Germany	32	30	43	26
Dubai	7	1	7	1
Singapore	12	10	10	9
Hong Kong	8	1	7	1
Brokerage Total	192	224	202	224
France	16	4	15	4
Globe	10	4	7	3
Australia	14	2	12	2
Underwriting Total	40	10	34	9
Support services		27		22
Group Total	**232**	**261**	**236**	**255**

Production Talent

The investments made in 2017 have had a positive impact on the Group. These investments are now at the end of year 1 of a 3 year investment cycle, and we are already seeing positive returns across our investments. These include:

- London
  - Accident & Health Financial & Professional risks
  - North American Property
  - Marine Cargo and Hull
  - Reinsurance hires in Marine and Non-Marine classes fell below the year 1 target but are expected to catch up in the second year
- Singapore
  - Accident & Health
  - Trade Credit
- Miami
  - Energy
  - Accident & Health
- Reinsurance: We now have global capability in Treaty Reinsurance and are gaining traction in this significant business area

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

Data & Analytics

We have continued to develop our Data and Analytics capability in two areas during 2018: firstly with the continued development of our TradEd platform and secondly through the expansion in the Data and Analytics team to bring actuarial and analytic knowledge to our clients' insurance needs.

Our TradEd platform is a tool for our staff to help ensure that our clients receive the best price, terms and conditions as well as ultimately reducing the cost of our services to clients and underwriters. The platform enables the capture of data required to underwrite a client's risks in a structured format. That data is then utilised to determine the likely best markets in which we could place that business.

During 2018 we continued our development of TradEd and most significantly continued our partnership with a small number of partner insurance markets. That work enables the structured data captured by TradEd to be electronically integrated into the back office systems of the insurers, reducing rekeying and error for both ourselves and the carriers. We record responses from carriers to enable us to measure the real risk appetite of each carrier at a given point in time. We now have TradEd operating in each of our broking businesses and are therefore adding to our knowledge base on a continuous basis.

Business review and results

Operating Environment

The global economic environment stabilised and showed accelerating growth throughout 2018, albeit from low starting points. The continued low interest rate regimes in most economies meant that inward capital flows continued to exert downward pressure on insurance premium rates throughout the year, although there was some flattening late in the year following the significant natural disaster events in 2018.

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

Regulation remains a significant factor in our deployment of resources. Throughout the year we have worked closely with regulators in London, Dubai and Singapore in particular on the implementation of new regulation.

Business Performance

The Group loss after tax from continuing operations was US$25.7m; an improvement on the 2017 loss of US$27.7m.

During the year the Group saw a reduction in overall reported revenue and EBITDA, due to changes in the revenue recognition accounting policy, required by IFRS 15.

Financial review

The comparatives shown in the Consolidated Income Statement from the Commission and fees line down to Loss for the year from continuing operations line are for businesses that are ongoing as at 31 December 2018. The results stated below are therefore for continuing operations only.

	2018 US$'000	2017 US$'000
Key performance indicators		
Commissions and fees	**87,057**	87,615
EBITDA [1]	**(13,672)**	(13,143)
EBITDA margin[1]	**-15.7%**	-15.0%

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

The Group operates across four segments:

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

Overall, revenue in the continuing businesses grew by 1.5% or $1.3m. The growth was driven by:

- London Broking business was flat year on year. Growth in Financial & Professional Risks, Accident & Health, Cargo and Property & Casualty were offset by reductions in our more mature Energy, Marine, Risk Solutions and Reinsurance businesses primarily as a result of lower client retention.
- German business was down $0.8m as we continued to experience client losses and a soft market environment

Partly offsetting these reductions:

- International Broking was up 23% with growth across Singapore, Miami and Hong Kong
- Underwriting was up 12% driven by new products in the UK and favourable market conditions and new business in Australia

2018 was the first full year of a three year cycle for our investments and we have seen strong growth in some areas, most notably Accident & Heath, North American Property and Financial & Professional risks.

Going concern

In assessing going concern, the Directors take account of all information of which they are aware in respect of the Group's performance, which is at least, but is not limited to, twelve to thirty six months from the date that the balance sheet is signed. In making the assessment in the preparation of these accounts, the Board has considered the adequacy of the financial resources available to the Group and, particularly following the Group being acquired by a subsidiary of BGC Partners Inc on 31 January 2019 and the ongoing financial support the Group receives, it has been determined that the firm has adequate resources to remain a going concern for the foreseeable future.

Events after the reporting date

Change of Ownership

On the 29th October 2018 it was announced that the Group, was to be acquired by a subsidiary of BGC Partners, Inc, a global brokerage and financial technology company. The acquisition subsequently closed on 31 January 2019.

Under the terms of the agreement, a subsidiary of BGC acquired 100% of the Group including the broking operations operating under the Ed brand in UK, Singapore, Hong Kong, Dubai, Miami and China, as well as its German marine broking arm, Junge, in addition to its MGA operations: Globe Underwriting based in the UK, Epsilon which has offices in Australia and Cooper Gay France based in Paris.

The agreement sees the expansion of the BGC insurance division which was first established in 2017 when it acquired Besso Insurance Group Limited, a Lloyd's broker with operations in the UK, Dubai and Brazil. The acquisition is seen as an important part of the strategy of BGC in building its insurance brokerage division.

Principal risks and uncertainties

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

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

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

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

Risk policies

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

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

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

Financial risk management

1) Foreign currency risk

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

A 10 cent strengthening of the US Dollar exchange rate against Sterling in 2018 would have the following impact:

	2018 US$'m	2017 US$'m
Operating profit (unhedged)	**5.3**	6.1
Operating profit (hedged)	**2.3**	3.0

2) Credit risk

The Group's exposure to credit risk takes the form of a loss that would be recognised if counterparties failed to, or were unable to, meet their payment obligations. These risks may arise in certain agreements in relation to amounts owed for fees and commissions, the use of derivative instruments, and the investment of surplus cash balances.

The Group is also exposed to political and economic risk events, which may cause non-payment of foreign currency obligations to the Group. Poor economic conditions also increase the likelihood of failure of

companies in the sector, potentially including partners, contractors and suppliers. The Group monitors its credit risk through client acceptance procedures, credit control and actively monitors financial institutions with which it holds cash.

The maximum credit risk exposure to the Group represents the total of its trade and other receivables, cash and cash equivalents and derivative financial instruments classified as current and non-current assets of US$148.8m (2017: US$189.6m).

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

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

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

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

5) BREXIT risk
The Group has been tracking developments in Brexit since the 2016 Referendum and has established a Brexit working group ('Brexit Group') to investigate the viability of options available in the event of a no-deal or hard Brexit scenario and plan for these. The Brexit Group is drawn from representative members of the business, is chaired by the Head of Operations and meets monthly. The Group communicates with external and internal audiences through a dedicated intranet page and considers ongoing assessments of the Group's EU exposure and regulatory information.

The revenue at risk as a direct result of Brexit is that of EEA clients currently served by our UK businesses which is not Reinsurance. In total this amounts to approximately $4m. Our plan would be to manage these clients from our French subsidiary mitigating the majority of this risk.

In the event of a hard Brexit, the UK group will be unable to have any direct contact with clients but may be able to act to execute instructions from an EEA intermediary. In order to address the new requirements we plan to supplement our resources in France using our existing French subsidiary. We have developed plans for the implementation of this resource increase in the event a hard Brexit becomes a reality.

The Brexit Group continues to monitor developments to assess their impact on the Group's Brexit business planning and strategic risk profile.

Approved by the Board and signed by order of the Board

Stephen Hearn
Chief Executive Officer
23 September 2019

The Directors present their report and the audited consolidated financial statements of the Group and Company for the year ended 31 December 2018. For future developments, significant events in the year and after the year end, see pages 6-7 of the Strategic Report.

Directors and their interests

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

Wayne Berman	Appointed 1 March 2013 (resigned 31 January 2019)
Stephen Hearn	Appointed 5 November 2015
José Manuel Fonseca	Appointed 9 July 2010 (resigned 13 February 2019)
Neil Perry	Appointed 27 July 2017
Boris Rapoport	Appointed 28 July 2016 (resigned 31 January 2019)
Richard Sterne	Appointed 14 April 2015 (resigned 31 January 2019)
Martin Sullivan	Appointed 26 September 2014 (elected as Chairman 1 October 2014) (resigned 31 January 2019)
Andrew Wallin	Appointed 27 July 2017
John Whiter	Appointed 9 July 2010
James Lightbourne	Appointed 31 January 2019
Robert Stevens	Appointed 31 January 2019

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

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law including Financial Reporting Standard 102). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

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

Independent auditor

Deloitte LLP, have indicated their willingness to continue in office. No reappointment has currently been made following the acquisition by BGC.

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

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

- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

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

Dividend recommendation

The directors recommend that no final dividend is paid (2017: nil). No interim dividend was paid during the year (2017: nil).

Employees

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

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

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

Equal opportunities

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

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

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

UK Gender Pay Gap Report 2018

2018 saw the introduction of mandatory publication of gender pay gap results for all UK businesses with over 250 employees. As required, the results published in 2018 were for Ed Broking LLP as at 5 April 2017.

The Ed Broking LLP results were disappointing but sadly not surprising and highlighted that our issue is caused by the under representation of females in senior broking roles. The insurance industry, and

particularly the London market, has a legacy issue and Ed Broking LLP has not been immune. The management team and colleagues in the UK are fully committed to fixing this problem.

A number of initiatives were successfully implemented in 2018 including the creation of new terms and conditions for our recruitment agencies and partners in the UK to sign, to ensure they agree to try to provide a 50/50 gender split of potential candidates, a focus on developing female talent as part of the annual promotions process, the launch of flexible office hours for all employees and the improvement of our Family Friendly Policies which included degenderizing the benefits, enhancing pay and providing return to work benefits.

A good start has been made, but the Directors are now focussed on accelerating the pace of change to remedy the gender pay gap.

UK Modern Slavery Act 2015

Ed Broking LLP, along with all other businesses in the UK with turnover over £36m, is required to comply with the Modern Slavery Act 2015.

The subject of modern slavery and human trafficking is a prevalent risk in the World today. Ed Broking is strongly opposed to slavery and human trafficking and will not knowingly support or conduct business with any organisation involved in such activities. To support this stance, the company is committed to the highest professional standards and ethics, and expect the same high standards from all parties we work with, as well as their compliance with all local laws and regulations. This includes outsourced providers of ancillary services, such as cleaning, catering, etc.

We aim to identify and assess key risk areas in our supply chains. Should we identify slavery or human trafficking activities in our supply chains we will work to remediate that through appropriate and proportionate action in accordance with our legal and moral obligations.

A requirement of the Modern Slavery Act 2015 is for a business to publish an annual statement, setting out how it manages the risk of modern slavery. A link to the Ed Broking statement can be found on the Home page of the Company's UK website.

Approved by the Board and signed by order of the Board

Stephen Hearn
Chief Executive Officer
23 September 2019

Independent auditor's report to the members of Ed Broking Group Limited

Report on the audit of the financial statements

Opinion
In our opinion:
- *the financial statements give a true and fair view of the state of the group's and of the parent* company's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Ed Broking Group Limited (the 'parent company') and its subsidiaries (the 'group') which comprise:
- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated statement of financial position and parent company balance sheet;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the accounting policies; and
- the related group notes 1 to 31 and parent company notes a to f.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

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

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:
- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

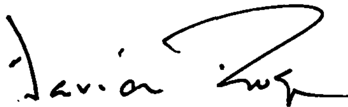
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



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

26 September 2019

Consolidated income statement
for the year ended 31 December 2018

	Notes	**Year Ended 31 December 2018 US$'000**	Year Ended 31 December 2017 US$'000
Commissions and fees	1	**87,057**	87,615
Investment income	3	**1,067**	702
Other operating income	2	**448**	3,455
Other operating costs		**(102,562)**	(113,150)
Depreciation, amortisation and impairment charges	2	**(2,299)**	(10,431)
Operating loss	2	**(16,289)**	(31,809)
Analysed as:			
Operating loss before exceptional items		**(16,513)**	(23,574)
Exceptional items	2	**224**	(8,235)
Operating loss		**(16,289)**	(31,809)
Finance costs	4	**(6,544)**	(422)
Finance income	4	**39**	5,506
Net finance costs	4	**(6,505)**	5,084
Loss before tax		**(22,794)**	(26,725)
Income tax expense	7	**(2,911)**	(958)
Loss for the year from continuing operations		**(25,705)**	(27,683)
Discontinued operations			
Profit for the year from discontinued operations		**-**	31,230
(Loss)/profit for the year		**(25,705)**	3,547
Attributable to:			
Owners of the Company		**(25,853)**	3,346
Non-controlling interests	22	**148**	201
		(25,705)	3,547

Consolidated statement of comprehensive income for the year ended 31 December 2018

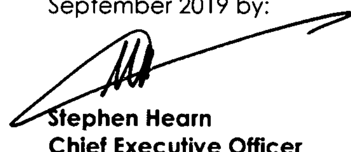
	Notes	**Year Ended 31 December 2018 US$'000**	Year Ended 31 December 2017 US$'000
(Loss)/profit for the year		**(25,705)**	3,547
Other comprehensive income:			
Items that will not be subsequently reclassified to profit and loss:			
Remeasurement of post-retirement benefit obligations			
- gross	25	**(17,053)**	4,110
- deferred tax		**-**	(518)
		(17,053)	3,592
Items that may be subsequently reclassified to profit and loss:			
Cash flow hedge :			
- fair value (losses)/gains in year		**(4,831)**	4,247
- transfers to commissions and fees		**926**	3,399
Currency translation differences		**1,016**	1,556
		(2,889)	9,202
Other comprehensive (loss)/profit for the year, net of tax		**(19,942)**	12,794
Total comprehensive (loss)/profit for the year		**(45,647)**	16,341
Attributable to:			
Owners of the Company		**(45,795)**	16,140
Non-controlling interests		**148**	201
		(45,647)	16,341

Consolidated statement of financial position as at 31 December 2018

	Notes	**Year Ended 31 December 2018 US$'000**	Year Ended 31 December 2017 US$'000
Non-current assets			
Goodwill	9	**28,136**	29,825
Other intangible assets	10	**7,262**	8,076
Property, plant and equipment	11	**955**	1,060
Trade investments	12	**-**	159
Financial assets at fair value through other comprehensive income	12	**153**	-
Trade and other receivables	14	**-**	2,589
Derivative financial instruments	13	**4**	1,079
Deferred tax assets	19	**-**	2,279
		36,510	45,067
Current assets			
Capitalised costs	24	**1,701**	-
Contract assets	24	**8,065**	-
Trade and other receivables	14	**36,781**	33,473
Current tax assets		**431**	543
Derivative financial instruments	13	**20**	1,176
Cash and cash equivalents	15	**112,044**	151,238
		159,042	186,430
Current liabilities			
Contract liabilities	24	**(7,174)**	-
Borrowings	18	**(2,000)**	-
Trade and other payables	16	**(116,381)**	(137,170)
Derivative financial instruments	13	**(1,602)**	(1,612)
Current tax liabilities		**(83)**	(18)
Provisions for liabilities and charges	20	**(789)**	(1,187)
		(128,029)	(139,987)
Net current assets		**31,013**	46,443
Non-current liabilities			
Contract liabilities	24	**(651)**	-
Trade and other payables	16	**-**	-
Derivative financial instruments	13	**(2,218)**	(185)
Deferred tax liabilities	19	**(233)**	(261)
Retirement benefit obligations	25	**(29,383)**	(16,167)
Provisions for liabilities and charges	20	**-**	-
		(32,485)	(16,613)
Net assets		**35,038**	74,897
Capital and reserves			
Share capital	21	**4,206**	4,205
Share premium	21	**158,632**	158,632
Capital reserve	21	**25,124**	25,124
Hedge reserve	21	**(2,989)**	916
Foreign currency translation reserve	21	**(5,151)**	(6,167)
Retained accumulated deficit	21	**(145,066)**	(108,103)
Equity attributable to owners of the Company		**34,756**	74,607
Non-controlling interests	22	**282**	290
Total equity		**35,038**	74,897

The Accounting Policies and Notes on pages 22 to 70 form an integral part of these financial statements.

The financial statements on pages 1 to 70 were approved by the Board and signed on its behalf on 23 September 2019 by:



Stephen Hearn
Chief Executive Officer

Consolidated statement of changes in equity for the year ended 31 December 2018

	Notes	Share capital US$'000	Share premium US$'000	Capital reserve US$'000	Hedge reserve US$'000	Foreign currency translation reserve US$'000	Retained accumulated deficit US$'000	Equity attributable to the owners of the Company US$'000	Non-controlling interests US$'000	Total US$'000
Balance at 1 January 2018		**4,205**	**158,632**	**25,124**	**916**	**(6,167)**	**(108,103)**	**74,607**	**290**	**74,897**
Actuarial gains recognised in post-retirement benefit schemes:										
- gross	25	-	-	-	-	-	(17,053)	(17,053)	-	(17,053)
- tax		-	-	-	-	-	-	-	-	-
Cash flow hedge:										
- fair value losses in year	13	-	-	-	(4,831)	-	-	(4,831)	-	(4,831)
- transfers to fees and commissions	13	-	-	-	926	-	-	926	-	926
Currency translation differences		-	-	-	-	1,016	-	1,016	-	1,016
Net (losses)/profit recognised directly in equity		-	-	-	(3,905)	1,016	(17,053)	(19,942)	-	(19,942)
Adjustment on initial application of IFRS 15	25	-	-	-	-	-	5,423	5,423	-	5,423
(Loss)/profit for the year		-	-	-	-	-	(25,853)	(25,853)	148	(25,705)
Total comprehensive (loss)/income for the year		-	-	-	(3,905)	1,016	(37,483)	(40,372)	148	(40,224)
Dividends paid	8/22	-	-	-	-	-	-	-	(143)	(143)
Issue of shares		1	-	-	-	-	-	1	-	1
Share based payments		-	-	-	-	-	520	520	-	520
Non-controlling interests:										
Exchange adjustment	22	-	-	-	-	-	-	-	(13)	(13)
Balance at 31 December 2018		**4,206**	**158,632**	**25,124**	**(2,989)**	**(5,151)**	**(145,066)**	**34,756**	**282**	**35,038**

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

	Notes	Share capital US$'000	Share premium US$'000	Capital reserve US$'000	Hedge reserve US$'000	Foreign currency translation reserve US$'000	Retained accumulated deficit US$'000	Equity attributable to the owners of the Company US$'000	Non-controlling interests US$'000	Total US$'000
Balance at 1 January 2017		4,205	158,632	25,124	(6,730)	(7,723)	(115,065)	58,443	1,793	60,236
Actuarial gains recognised in post-retirement benefit schemes										
- gross	25	-	-	-	-	-	4,110	4,110	-	4,110
- tax		-	-	-	-	-	(518)	(518)	-	(518)
Cash flow hedge :										
- fair value losses in year	13	-	-	-	4,247	-	-	4,247	-	4,247
- transfers to fees and commissions	13	-	-	-	3,399	-	-	3,399	-	3,399
Currency translation differences		-	-	-	-	1,556	-	1,556	-	1,556
Net profit recognised directly in equity		-	-	-	7,646	1,556	3,592	12,794	-	12,794
Profit for the year		-	-	-	-	-	3,346	3,346	201	3,547
Total comprehensive income for the year		-	-	-	7,646	1,556	6,938	16,140	201	16,341
Dividends paid	8/22	-	-	-	-	-	-	-	(1,937)	(1,937)
Share based payments		-	-	-	-	-	(265)	(265)	-	(265)
Purchase of shares by the ESOT		-	-	-	-	-	289	289	-	289
Non-controlling interests:										
Exchange adjustment	22	-	-	-	-	-	-	-	359	359
Return of non-controlling interest	22	-	-	-	-	-	-	-	(126)	(126)
Balance at 31 December 2017 - Restated		4,205	158,632	25,124	916	(6,167)	(108,103)	74,607	290	74,897

Consolidated statement of cash flows as at 31 December 2018

	Notes	Year Ended 31 December 2018 US$'000	Year Ended 31 December 2017 US$'000
Net cash used in operating activities	23	**(35,439)**	(21,218)
Cash flows from investing activities			
Purchase of property, plant and equipment	11	**(635)**	(448)
Purchase of other intangible assets	10	**(1,468)**	(1,313)
Proceeds from disposal of property, plant and equipment		**1**	20
Acquisition of businesses, (net of cash acquired)		**-**	(126)
Disposal of businesses, (net of cash disposed)		**-**	31,836
Realised loss on derivative financial instruments		**(1,579)**	(3,961)
Net cash (used in)/generated by investing activities		**(3,681)**	26,008
Cash flows from financing activities			
Interest income derived from own funds	4	**39**	87
Purchase of shares by ESOT and EBT		**(22)**	24
Receipts from new loans		**2,000**	-
Dividend paid to minority shareholders	22	**(143)**	(1,937)
Net cash (used in)/generated by financing activities		**1,874**	(1,826)
Net decrease in cash and cash equivalents		**(37,246)**	2,964
Cash and cash equivalents at beginning of year		**151,238**	142,580
Effects of exchange rate changes		**(1,948)**	5,694
Cash and cash equivalents at end of year	15	**112,044**	151,238

Basis of preparation
The consolidated financial statements of Ed Broking Group Limited ('the Group') have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared on a going concern basis.

The accounting policies are consistent with prior years except for the adoption of IFRS 9 Financial Instruments and IFRS 15: Revenue from Contract with Customers. The impact of the adoption of these standards and the new accounting policies are disclosed in note 24.

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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

Going concern
The directors have, at the time of approving the financial statements, a reasonable expectation that the the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Basis of consolidation
The consolidated financial statements include those of Ed Broking Group Limited and its subsidiaries as at 31 December 2018.

Subsidiaries
An entity is regarded as a subsidiary if the Group:
- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its return.

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

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

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

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

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

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

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

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

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

Revenue represents brokerage, fees, commissions and other related income net of payaway commissions to third parties.

Revenue from insurance broking specifically arises as a result of arranging insurance cover and presenting claims under such cover. Managing agent revenue arises from the management of syndicates and carry on underwriting and other functions for members.

Prior to adoption of IFRS 15, revenue relating to insurance broking was recognised at the later of the inception date of the coverage or when the placement has been completed and confirmed. Where there was an expectation of future servicing requirements, an element of income relating to the policy was deferred to cover the associated contractual obligation. Fees and other income receivable were recognised in the period to which they related or later when they could be measured with reasonable certainty.

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

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

Under IFRS 15, amounts continue to be billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals (monthly or quarterly) or upon achievement of contractual milestones.

Under IFRS 15 a "best estimate" of revenue is now made up front. Different revenue streams and contract types throughout the Group have been identified and an assessment of the impact of IFRS 15 on those revenue streams has been made.

Where there are on-going obligations as part of a contract the revenue in respect of these has been deferred to meet those obligations. This deferral has been calculated based on management estimates of the time spent to service claims and other contract obligations.

Revenue (continued)
The timing of revenue recognition, billings and cash collections under IFRS 15 results in billed accounts receivable, unbilled receivables (contract assets), and deposits (contract liabilities) to be recognised in the Consolidated Statement of Financial Position at the end of each reporting period.

For contracts where the revenue is expected to be collected more than 1 year from its recognition and is not an estimate of a variable amount, consideration is given to the time value of money.

Where the value of revenue is beyond the control of the Group and it cannot be estimated reliably, it is not recognised until the amount is known with reasonable certainty. In these cases associated costs are expensed as incurred.

Revenue deferrals and fulfilment costs are mainly calculated on a portfolio basis, with estimates made based on historical evidence.

IFRS 15 allows for two methods to measure revenue over-time: the output method, which looks at the measure of progress of the asset being transferred to the customer itself, or the input method, which looks at the resources used to date to create the asset being transferred.

Management to not believe that the input method is appropriate given that the Group is a service provider and have, therefore, adopted the output method by looking at performance obligations over time following placement of the risk.

The post placement activities performed by Ed Broking include maintaining statistical and analytical reports, preparing and broking any mid-term adjustments, providing advice and assistance on regulatory and compliance issues, premium bordereau handling and processing and claims handling and processing.

Ed Broking can neither determine the observable selling price of such obligations when sold on a standalone basis and nor can it estimate the market price customers will be willing to pay for such post placement obligations. It is, therefore, necessary to make various assumptions based on market knowledge. It is considered appropriate to allocate income based on time spent on placement versus post placement work.

Contract assets and liabilities
The Group has changed the presentation in the Balance Sheet to reflect the terminology in IFRS 15. IFRS 15 introduces the concepts of contract assets, contract liabilities and fulfilment cost assets.

Contract assets represent an entity's right to consideration in exchange for goods or services which have been transferred to a customer, but are not yet billed at the balance sheet date.

They are distinct from accrued revenue in that the right to consideration is contingent on something other than time. Such assets were previously included with trade and other receivables.

Contract liabilities are defined as performance obligations to be satisfied in future periods for which an entity has received consideration. These were previously presented as part of trade and other payables. When calculating contract assets and liabilities the accounting standard allows the use of a portfolio approach taking into account contracts similar in nature and treating them in a consistent manner. For expediency the Group has adopted this portfolio approach.

The release of the contract assets and liabilities is directly correlated to the satisfaction of the performance obligations and not by payment or receipt.

Performance obligations relate to services that will be fulfilled over the life of the contract and do not, necessarily match the payment terms which will depend on the individual contract.

Broker arrangements often include a service agreement with variable bonus payments or other variable amounts and management have also considered these payments based on experience and by looking at which agreements should be combined, how many separate performance obligations exist and how variable consideration is to be accounted for in accordance with IFRS 15.

Revenue (continued)
Such calculations require considerable work by management to make appropriate estimates. Management are mindful of the different types of insurance policies and have made assumptions based on segmental, geographic and contractual analysis as well as empirical evidence.

The adoption of IFRS 15 requires the Group to present the following items separately:

- Contract asset: The right to consideration in for exchange services that have been transferred to a customer;
- Contract liability: Obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer;
- Receivable: A right to consideration that is unconditional.

From a disclosure perspective a distinction needs to be made between current and non-current items depends on the operating cycle. Current year contract balances are released to the income statement in the following year.

IAS 1 states that the operating cycle of an entity is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Management have determined, based on all facts and circumstances and use of judgement, the operating cycle for the contracts and are recognising contract assets and liabilities as either current or non-current as appropriate.

Also included as contract assets on the Group's Balance Sheet are fulfilment cost assets.

Fulfilment cost assets relate to direct costs incurred which generate assets used to satisfy the contractual performance obligations, are expected to be recovered, and which do not qualify to be recognised as an asset under other accounting standards.

Previously, such costs were expensed as incurred. Fulfilment cost assets are amortised and recorded as an expense in the income statement when the related revenues are recognised.

Assets recognised from the costs to obtain or fulfil a contract
Incremental costs of obtaining contracts are recognised as a separate class of intangible asset in the statement of financial position and its amortisation in the same line item as amortisation of intangible assets within the scope of IAS 38 Intangible Assets.

In accordance with IFRS 15 the Group recognises incremental costs expected to be incurred to obtain a contract to the extent they directly affect the entity's performance under the contract. Applying the criteria for capitalisation in IFRS 15 for contracts over 12 month's duration the costs expected to be incurred are presented as a separate class of asset in the statement of financial position and are amortised within cost of goods sold. Where contracts have less than 12 months to expiry the costs are expensed as incurred.

Fulfilment costs, which mainly represent the direct costs incurred from appointment or renewal instruction to the point at which placement is confirmed, are amortised in full when the placement revenue is recognised.

All assets recognised on the Group's balance sheet arising from the capitalisation of incremental costs to obtain a contract and contract fulfilment costs are presented within contract assets.

Income Tax Expense
The implementation of IFRS 15 has resulted in a restatement of brought forward retained earnings at 1 January 2018 and also resulted in income arising in the period that will not be taxable until receipt.

No deferred tax has been recognised on the IFRS 15 balances as tax losses are available to offset the reversal of the timing differences identified.

Investment income and interest expense

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

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

Operating leases

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

Non-recurring items ('exceptional items')

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

Taxation

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

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

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

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

Share based payments

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

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

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

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

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

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

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

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

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

Goodwill

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

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

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

Transactions and non-controlling interests

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

Other intangible assets

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

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

Other intangible assets (continued)

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

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

Impairment of non-financial assets

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

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

Property, plant and equipment

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

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

Financial assets

On initial recognition, a financial asset is measured at fair value plus, for an instrument not measured at fair value through the profit or loss, transaction costs that are directly attributable to its acquisition.

Trade receivables without a significant financing component are measured at the transaction price rather than fair value at initial recognition.

On initial recognition, the Group further classifies its financial assets as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification of financial assets is based on the business model under which a financial asset is managed, and its contractual cash flow characteristics. These classification categories also describe the measurement of financial assets subsequent to initial recognition.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as measured at fair value through profit and loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets in this category are measured at amortised cost using the effective interest method. The amortised cost is reduced by accumulated impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets (continued)

Financial assets at fair value through other comprehensive income ('FVOCI')

Debt Instruments

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as measured at fair value through profit or loss:

- it is held within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income ('OCI'). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity Instruments

On initial recognition of an equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Such financial assets are measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI may be reclassified to another component of equity, but will never be reclassified to profit or loss.

Financial assets at fair value through profit or loss ('FVTPL')

All financial assets not classified as measured at amortised cost or FVOCI are classified as measured at FVTPL.

Financial assets in this category are measured at fair value subsequent to initial recognition. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Impairment of financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost, debt instruments measured at FVOCI, loan commitments, financial guarantees and contract assets are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Group measures credit loss allowances on credit-impaired financial assets on either of the following bases:

- lifetime expected credit losses ('ECLs'). – These are ECLs that result from all possible default events over the expected life of a financial instrument; and
- 12 month ECLs. These are a portion of the lifetime ECLs that represent the lifetime cash shortfalls that will result if a default occurs in the 12 months after the reporting date, weighted by the probability of that default occurring.

The Group measures the credit loss allowances on financial assets as 12-month ECLs unless there is a significant increase in credit risk since initial recognition or objective evidence of impairment. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when:

- There is evidence that the amount is unlikely to be paid in full, without recourse by the Group; or the financial asset is more than 3 years past due.

Impairment of financial assets (continued)

The Group applies the IFRS 9 simplified approach to measure ECLs on trade receivables and contract assets. Under the simplified approach, ECLs are measured at an amount equal to lifetime ECLs. Lifetime ECLs on trade receivables and contract assets are measured based on the actual credit loss experience over the preceding 3 years. The actual credit loss is adjusted, if considered significant, to reflect the differences between economic conditions during the period over which the historical data was collected, current conditions and the Group's view of economic conditions over the expected lives of the assets.

Credit loss allowances on financial assets are deducted from the gross carrying amount of the assets except for financial assets measured at FVOCI. Credit loss allowances on financial assets measured at FVOCI are recognised in OCI, instead of reducing the carrying amount of the asset.

Insurance broking assets and liabilities

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

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

Cash and cash equivalents

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

Share capital

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

Trade payables

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

Borrowings

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

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

Derivative financial instruments and hedging activities

The Group uses derivative financial instruments to manage exposure to foreign exchange risks.

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

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

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

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

The fair values of various derivative instruments used for hedging purposes are disclosed in note 13. Movements on the hedging reserve are shown in the consolidated statement of comprehensive income. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income (hedge reserves). The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'finance income/finance costs'. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of forward foreign exchange contracts is recognised in the income statement within 'fees and commissions'.

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

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

Financial instruments designated at fair value through the income statement
Financial assets at fair value through other compreshensive income (previously trade investments) are initially recognised at fair value, which represents cost and is subsequently re-measured at their fair value with any movements taken to the income statement.

Pension obligations
The Group operates defined benefit pension schemes. The pension liability recognised in the balance sheet is the present value of the schemes' liabilities less the fair value of the schemes' assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The cost of providing benefits is determined using the Projected Unit Credit Method.

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

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

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Pension obligations (continued)

The Group also operates defined contribution pension schemes. Contributions made to the schemes in the year are charged to the income statement, when employees have rendered services entitling them to the contributions.

Provisions for liabilities and charges

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

Dividends

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

Financial and capital risk management

The Group's exposure to financial risks and its financial and capital management policies are detailed in the Strategic Report on pages 8 to 9.

Critical accounting estimates and judgements

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

Key estimates made by management are as follows:

i. Goodwill (note 9)
The Group tests goodwill annually for impairment in accordance with the accounting policy for "Impairment of assets". The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations are based on management assumptions and require the use of estimates.

ii. Pension obligations
Defined benefit pension schemes (note 25):
The present value of the pension obligations depends factors determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/income for pensions include the expected long-term rate of return on the relevant plans' assets, mortality assumptions and the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

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

iii. Revenue recognition and deferral and cost capitalisation (IFRS 15 - note 24)
The Group recognises total revenue on contracts at the date of inception as this is considered the best estimate of income at that time. A proportion of this revenue is then deferred to meet the future performance obligations. When calculating the best estimate it is necessary to make assumptions about the timing of future cash flows factoring in the possibility of default and current market conditions. The deferred element is matched to future obligations and assumptions about the precise timing of these is required factoring in the length and type of contract. Additionally, an element of staff costs are capitalised to reflect costs to fulfil contract obligations carried out in the current year relating to future income flows. The proportion of salaries capitalised is calculated based on divisional estimates of time spent for all relevant staff.

Critical accounting estimates and judgements (continued)

iv. ECLs
The Group always recognises lifetime ECLs for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditionad and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Key judgements made by management are as follows:

i. Goodwill (note 9)
The goodwill impairment requires significant judgement. The Group evaluates the duration and extent to which fair value of an investment is less than its cost and the financial health of, and near term business outlook for, the investment, including factors such as industry and sector performance, changes in regional economies and operational and financing cash flows. Refer to note 9 for further information on these assumptions.

ii. Other intangible assets (note 10)
The contractual customer relationships, trademarks and non-compete agreements acquired are initially recognised at cost, which represents their initial fair value, and are amortised over the estimated useful lives. Management determines the estimated useful lives and related amortisation charges at acquisition. The estimated useful lives are reviewed annually and the amortisation charge is revised where useful lives are subsequently found to be different to those previously estimated. The largest element of the intangible balance is the contractual customer lists. See the other intangible assets accounting policy (page 27) for the useful economic lives.

iii. Taxation (note 7)
The Group is subject to income taxes in the various jurisdictions in which it operates. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group calculates the deferred tax asset on unutilised tax losses based on future projections of net taxable profits over a five year period from 31 December 2018.

iv. Financial Instruments/ ECLs

ECLs are measured as an allowance equal to 12-month ECL for stage 1 assets or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

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

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

Changes in accounting policies – standard, amendments to published standards and interpretations effective on or after 1 January 2018

New standards impacting the Group that have been adopted in the annual financial statements for the year ended 31 December 2018, and which have given rise to changes in the Group's accounting policies are:

IFRS 15 'Revenue from Contracts with Customers' (note 24):

- This is the first year of implementation and the Group have elected to apply IFRS 15 using the modified transitional method.
- The modified transitional method applies IFRS 15 retrospectively to only the most current period presented in the financial statements (ie the initial period of application) with recognition of the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application.
- The Group has elected to apply IFRS 15 retrospectively only to contracts that are not completed contracts at the date of initial application (1 January 2018).

IFRS 9 'Financial Instruments' (note 24):

- The Group has elected to continue to apply the IAS 39 Financial Instruments (IAS 39) requirements in respect of hedge accounting as provided by paragraph 7.2.21 of IFRS 9. The Group has continued, therefore, to apply the accounting policy disclosed under 'Derivative financial instruments and hedging activities' above in respect of hedge accounting.
- The adoption of IFRS 9 has resulted in changes in the Group's accounting policies for the recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets.

Changes in accounting policies – standard, amendments to published standards and interpretations effective on or after 1 January 2018 (Continued)

- The new accounting policies have been applied from 1 January 2018.
- IFRS 9 has been applied prospectively without restating comparatives for the prior period.
- The adjustments arising from the adoption of IFRS 9 are not reflected in the restated balance sheet as at 31 December 2017, but are recognised in retained earnings as at 1 January 2018.

Standards, amendments to published standards and interpretations effective on or after 1 January 2019

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

IFRS 16 'Leases'

IFRS 16 will result mostl leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed.

Under the new standard, an asset (the right-to-use the leased item) and a financial liability to pay rentals are to be recognised. The Group anticipates electing the short-term lease and low-value lease exemptions.

During the year the Group initiated a project to focus on the identification and understanding of:

a) The provisions of the standard which will most impact the Group;
b) Establishing the population of lease contracts which will extend beyond 1 January 2019 based on the current lease portfolio;
c) Preliminary impact analysis; and
d) A preliminary review of system and process requirements.

During 2019, the Group will continue to work on the process with a preliminary focus on the further analysis of the contract portfolio, the selection of an IT solution, and enhancing internal processes where required.

IFRS 16 must be applied for annual periods beginning on or after 1 January 2019 and the Group will apply the standard from that date.

IFRS 16 'Leases' (continued)
The standard is expected to have a material impact on the primary statements increasing both fixed assets and lease commitments under and over 1 year.

The Group envisages adopting the modified retrospective approach, through which the cumulative effect of the initial application is recognised without any restatement of comparative information other than opening equity.

From 1 January 2019 a new category of fixed asset: "Right-of-use" will be included in the balance sheet matched by recognition of the additional lease liability. The underlying assets recognised being office space and motor vehicles.

To calculate the right-of-use asset value a discount factor of 3% has been assumed and applied to the expected total lease commitments. This assumption is based on local market conditions and current external loan interest rates that are likely to be applicable on borrowings against the underlying assets.

Under the modified retrospective approach the effect is that a right-of-use asset of USD 8.7 million at cost will be recognised in 2019. This asset will be depreciated over the expected life of the leases of 3 years.

Lease commitments will also increase by US$ 8.7m, with US$ 2.8m due within 12 months and US$5.9m falling due after 1 year.

In 2019, opening equity will be restated to reflect an interest charge of US$0.3m and depreciation of US$2.9m arising in 2018.

1. Segment analysis

The segment information is based on the Group's new structure for ongoing management of the business: London Broking, International Broking, Underwriting and Head Office. The individual legal entities have been split into these four segments.

Segment EBITDA (before exceptional items and share based payments)

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

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

Segment assets include:

- Trade receivables
- Fiduciary and non-fiduciary funds
- Contract assets
- Capitalised costs

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

Segment liabilities include:

- Insurance creditors
- Provisions for liabilities and charges
- Contract liabilities

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

Other segment items include:

- Capital expenditure

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

1. Segment analysis (continued)

Year ended 31 December 2018	London Broking US$'000	International Broking US$'000	Underwriting US$'000	Head Office US$'000	Un-allocated US$'000	Total US$'000
Commissions and fees	66,862	10,585	9,610	-	-	87,057
Investment income	954	40	73	-	-	1,067
EBITDA (before exceptional items and share based payments)	(955)	(1,814)	325	(11,228)	-	(13,672)
Depreciation, amortisation and impairment	(455)	(610)	(334)	(900)	-	(2,299)
Exceptional items	242	(10)	-	(8)	-	224
Share based payments	(353)	(12)	-	(177)	-	(542)
Finance costs	(1,144)	(4,391)	(385)	(624)	-	(6,544)
Finance Income	-	2	26	11	-	39
Loss before taxation						(22,794)
Income tax expense						(2,911)
Loss for the year						(25,705)
Profit for the year from discontinued operations						-
Loss for the year after tax and discontinued operations						(25,705)
Non-controlling interests						(148)
Net loss attributable to owners of the Company						(25,853)
Segment assets	92,520	34,942	10,837	1,385	-	139,684
Unallocated assets^					55,868	55,868
Total assets	92,520	34,942	10,837	1,385	55,868	195,552
Segment liabilities	65,918	22,863	5,431	144	-	94,356
Unallocated liabilities					66,158	66,158
Total liabilities	65,918	22,863	5,431	144	66,158	160,514
Other segment item:						
Capital expenditure	(1,016)	(797)	(289)	(1)	-	(2,103)

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

1. Segment analysis (continued)

Year ended 31 December 2017	London Broking US$'000	International Broking US$'000	Underwriting US$'000	Head Office US$'000	Un-allocated US$'000	Total US$'000
Commissions and fees	65,093	14,041	8,478	-	-	87,615
Investment income	667	3	32	-	-	702
EBITDA (before exceptional items and share based payments)	2,216	1,959	945	(18,263)	-	(13,143)
Depreciation, amortisation and impairment[a]	(302)	(382)	(378)	(9,369)	-	(10,431)
Exceptional items	(2,696)	(1,476)	-	(4,063)	-	(8,235)
Net finance income						5,084
Loss before taxation						(26,725)
Income tax expense						(958)
Loss for the year						(27,683)
Profit for the year from discontinued operations						31,230
Profit for the year after tax and discontinued operations						3,547
Non-controlling interests						(201)
Net profit attributable to owners of the Company						3,346
Segment assets	99,412	31,467	19,409	27,869	-	178,157
Unallocated assets^					53,340	53,340
Total assets	99,412	31,467	19,409	27,869	53,340	231,497
Segment liabilities	69,531	20,722	14,069	144	-	104,466
Unallocated liabilities					52,134	52,134
Total liabilities	69,531	20,722	14,069	144	52,134	156,600
Other segment item:						
Capital expenditure	(769)	(685)	(259)	(48)	-	(1,761)

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

[a] In 2017, Goodwill was impaired by $8.5m, relating wholly to the German acquisition.

1. Segment analysis (continued)

Supplementary segment analysis

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

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

	Year ended 31 December 2018		Year ended 31 December 2017	
	Fees & Commissions US$'000	**Segment non-current assets US$'000**	Fees & Commissions US$'000	Segment non-current assets US$'000
United Kingdom	**12,382**	**31,937**	9,595	36,766
North America	**37,218**	**-**	38,703	-
Asia and Australasia	**13,126**	**932**	13,300	1,302
Europe	**16,379**	**3,628**	18,643	3,621
Latin America	**3,166**	**13**	4,500	20
Rest of the World	**4,786**	**-**	2,874	-
	87,057	**36,510**	87,615	41,709
Unallocated assets		**-**		3,358
Total non-current assets		**36,510**		45,067

2. Operating loss

	Year Ended 31 December 2018 US$'000	Year Ended 31 December 2017 US$'000
Other operating income		
Other income	**448**	3,455
Total other operating income	**448**	3,455
Depreciation, amortisation and impairment charges		
Amortisation of intangible assets:		
- software and development costs	**587**	269
- books of business	**1,083**	1,133
Depreciation on property, plant and equipment:		
- owned assets	**626**	536
Impairment charges:		
- goodwill and other intangibles assets	**-**	8,493
Total depreciation, amortisation and impairment charges	**2,299**	10,431
Loss on disposal of property, plant and equipment and other intangibles	**207**	17
Other operating costs		
The following operating costs have been charged in arriving at operating profit:		
Operating lease rentals payable:		
land and buildings	**2,954**	2,756
furniture, equipment and motor vehicles	**192**	236
computer equipment and software	**84**	80
Sub-lease receipts		
land and buildings	**-**	(202)
Non-recurring items / exceptional items:		
Global restructuring costs	**401**	859
Transaction related costs[a]	**(625)**	7,376
Total exceptional items	**(224)**	8,235

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

3. Investment income

	Year Ended 31 December 2018 US$'000	Year Ended 31 December 2017 US$'000
Interest receivable – fiduciary funds	**1,067**	702

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

4. Net Finance (costs) / income

	Year Ended 31 December 2018 US$'000	Year Ended 31 December 2017 US$'000
Financial assets measured at amortised cost:		
Interest receivable - own funds	**39**	87
Financial liabilities measured at amortised cost:		
Interest expense:		
- bank and other borrowings	**(6)**	-
Pension financing:		
- expected return on post-employment scheme assets	**1,738**	1,828
- interest on post-employment scheme liabilities	**(1,549)**	(2,211)
Net pension financing costs	**189**	(383)
Fair value losses on financial instruments:		
- fair value losses on hedging derivatives after recycling to income statement	**(1,045)**	1,591
	(1,045)	1,591
Foreign exchange differences:		
Foreign exchange gains/(losses) on loans payable	**(3,461)**	5,459
Foreign exchange gains/(losses on other monetary items	**549**	(1,631)
	(2,912)	3,828
Other finance costs	**(2,770)**	(39)
Net finance (costs)/income	**(6,505)**	5,084
Analysed as:		
Finance costs	**(6,544)**	(422)
Finance income	**39**	5,506
Net finance (costs)/income	**(6,505)**	5,084

5. Employees' and directors' information

	Year Ended 31 December 2018 US$'000	Year Ended 31 December 2017 US$'000
a) Salaries and associated expenses		
Wages and salaries	**15,746**	19,004
Social security costs	**6,551**	6,976
Pension costs	**3,695**	3,671
Share based payments	**542**	-
	26,534	29,651

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

	2018	2017
By activity:		
Broking and Insurance	**338**	342
Management and administration	**155**	149
	493	491

There are no employees in the parent company, Ed Broking Group Limited.

c) Key management compensation:
Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly. The Executive and Non-Executive Directors are considered to be key management. In 2018 there were 9 Directors (2017: 9).

	2018 US$'000	2017 US$'000
Salaries, fees and short term employee benefits	**2,958**	3,219
Post-employment benefits	**13**	9
Termination, retention and transaction related benefits	-	-
Share based payments	-	-
	2,971	3,228
Highest paid Director:		
Total amount of emoluments (including termination, retention and transaction related benefits)	**1,296**	1,263
Share options exercised	-	-
Defined benefit scheme:		
Accrued pension at end of year	-	-

	2018	2017
Number of directors accruing benefits in a defined benefit scheme	-	-
Number of directors exercising share options	-	-
Number of directors granted share options	**3**	-
Aggregate number of share options exercised by management	-	-

5. Employees and directors' information (continued)

Share based payment schemes

During 2018, US$542,000 (2017: US$nil) was charged to the income statement in respect of share-based payments.

Calculation of fair values

A new share option scheme was established in 2018 and various grants were made during the year. Fair values of share options/awards, measured at the date of grant of the option/ award, are calculated using a modified binomial method simulation model.

	Management Incentive Share Option Plan		
Grant date	**9 February 2018**	**25 July 2018**	**19 October 2018**
Model Assumptions:			
Exercise Price	$0.20	$0.20	$0.20
Share Price	$0.20	$0.20	$0.20
Expected Volatility	14.40%	14.80%	17.20%
Expected Dividend Yield	0.00%	0.00%	0.00%
Risk-free Rate	1.13%	0.97%	1.12%
Vesting Period	2.9 years	2.4 years	2.2 years
Award Life	10 years	10 years	10 years
Fair Value of one award	$0.04	$0.04	$0.05

The expected volatility percentage has been calculated based on the average volatility of listed companies in the 'Non-life Insurance' FTSE Industry Classification Benchmark (ICB) sector and 'Insurance Brokers' FTSE ICB subsector

The volatilities used to calculate this average were taken from the LBS Risk Measurement Service's quarterly report for the quarter in which the options were granted.

A 20% reduction was then applied to take into account the inherent illiquidity of shares of private companies.

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

Management Incentive Plan – Share Option Plan

The Management Incentive Share Option Plan was a long-term incentive plan available to certain employees during 2018. The aim of the plan was to align the interest of those certain employees to the creation of shareholder value. Options were granted at market value and vest equally over a three year period from date of grant and are only exercisable on an Exit Event (change of control).

	2018		2017	
	Number	**Weighted average exercise price $**	Number	Weighted average exercise price £
Granted	**46,420,114**	**0.20**	-	-
Forfeited	**(988,214)**	**0.20**	-	-
Outstanding at 31 December	**45,431,900**	**0.20**	-	-
Options exercisable at 31 December	-	-	-	-
Weighted average remaining contractual life	**9.14 years**		N/A	

5. Employees and directors' information (continued)

Group Share Option Plan

The Group Share Option Plan was a long-term incentive plan available to certain employees during 2018. The aim of the plan was to align the interest of those certain employees to the creation of shareholder value. Options were granted at market value and are normally exercisable between four years and 7 months, and ten years and 1 month after the date of grant, subject to vesting conditions.

	2018		2017	
	Number	**Weighted average exercise price £**	Number	Weighted average exercise price £
Outstanding at 1 January	-	-	295,252	0.26
Lapsed	-	-	(295,252)	0.26
Outstanding at 31 December	-	-	-	-
Options exercisable at 31 December	-	-	-	-
Weighted average remaining contractual life	-		-	

Group Share Allocation Scheme

The Group Share Allocation Scheme was a long-term incentive plan available to certain former employees during 2018. The aim of the plan was to align the interest of certain employees to the creation of shareholder value. Shares were granted at market value and are normally exercisable at two years and 5 months, subject to vesting conditions. The scheme remains in place for overseas employees.

	2018		2017	
	Number	**Weighted average exercise price £**	Number	Weighted average exercise price £
Outstanding at 1 January	**433,780**	**0.35**	433,780	0.35
Outstanding at 31 December	**433,780**	**0.35**	433,780	0.35
Options exercisable at 31 December	**433,780**	**0.35**	433,780	0.35
Weighted average remaining contractual life		**No lapse date for exercising option**		No lapse date for exercising option

5. Employees and directors' information (continued)

Joint ownership equity scheme

The joint ownership equity scheme (JOE) was available to certain former employees during 2018. The aim of the plan was to align the interest of those employees to the creation of shareholder value. Some shares granted under the JOE scheme are subject to performance conditions and some are not. Shares were granted at market value and are normally exercisable at four years (performance conditions) and five years (no performance conditions), subject to vesting conditions.

	2018		2017	
	No performance conditions		No performance conditions	
	Number	**Weighted average exercise price £**	Number	Weighted average exercise price £
Outstanding at 1 January	**2,605,441**	**0.46**	2,605,441	0.46
Outstanding at 31 December	**2,605,441**	**0.46**	2,605,441	0.46
Options exercisable at 31 December	**2,605,441**	**0.46**	2,605,441	0.46
Weighted average remaining contractual life		**No lapse date for exercising option**		No lapse date for exercising option

	2018		2017	
	Performance conditions		Performance conditions	
	Number	**Weighted average exercise price £**	Number	Weighted average exercise price £
Outstanding at 1 January	**10,869,154**	**0.46**	10,869,154	0.46
Outstanding at 31 December	**10,869,154**	**0.46**	10,869,154	0.46
Options exercisable at 31 December	**10,869,154**	**0.46**	10,869,154	0.46
Weighted average remaining contractual life		**No lapse date for exercising option**		No lapse date for exercising option

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

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

	2018		2017	
	Number	**Weighted average exercise price $**	Number	Weighted average exercise price $
Outstanding at 1 January	**5,278,742**	-	6,195,408	-
Exercised	**-**	-	(916,666)	-
Outstanding at 31 December	**5,278,742**	-	5,278,742	-
Options exercisable at 31 December	**5,278,742**	-	5,278,742	-
Weighted average remaining contractual life		**Must be within 30 days of an Exit Event**		Must be within 30 days of an Exit Event

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

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

	Year Ended 31 December 2018 US$'000	Year Ended 31 December 2017 US$'000
Fees payable to company's auditor for the audit of parent company and consolidated financial statements	**226**	328
Fees payable to the Group's auditor and its associates for other services:		
The audit of the company's subsidiaries, pursuant to legislation	**478**	340
Other services – client money audit	**75**	171
Other services – IFRS 15	**11**	-
Other services – corporate finance	**81**	-
	871	839

7. Income Tax Expense

	Year Ended 31 December 2018 US$'000	Year Ended 31 December 2017 US$'000
Current tax expense:		
United Kingdom:		
Corporation tax on profits for the year	-	-
	-	-
Foreign tax:		
Current tax on income for the year	**516**	362
Over provided in prior years	**110**	(3)
	626	359
Total current tax	**626**	359
Deferred tax expense:		
Origination and reversal of temporary differences	**2,285**	599
Total deferred tax charge	**2,285**	599
Total income tax expense	**2,911**	958

7. Income Tax Expense (continued)

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

	Year Ended 31 December 2018 US$'000	Year Ended 31 December 2017 US$'000
Loss before tax:	**(22,794)**	(26,725)
Tax calculated at UK Corporation Tax of 19% (2017: 19.25%)	**(4,331)**	(5,145)
(Non-taxable income/gains) and non-deductible expenses	**235**	260
Adjustments to tax charge in respect of prior periods	**110**	(3)
Effect of UK and non-UK tax rate differences	**444**	149
Unrecognised deferred tax adjustments*	**6,453**	5,697
Total income tax expense	**2,911**	958

Comprising deferred tax asset on tax losses unrecognised.

Reductions in the UK Corporation tax rates were substantially enacted as part of the Summer Budget 2015, where the UK government announced legislation setting the Corporation Tax main rate at 19% for the years starting 1 April 2017, 2018 and 2019 and 18% for the year starting 1 April 2020. In the finance act 2017 the government announced a further reduction to the Corporation Tax main rate for the year starting 1 April 2020 to 17%.

The standard rate effective of Corporation tax for the year is 19% (2017: 19.25%).

A 17% rate has been used in the calculation of the UK's deferred tax assets and liabilities as at 31 December 2018 (2017: 17%) to reflect the expected rate that will apply when the timing differences reverse.

8. Dividends

No dividends were paid or declared during the year (2017: US$nil) by the Company. Dividends were paid by subsidiaries to non-controlling interests of US$143m (2017: US$1,937m) (see note 22).

9. Goodwill

	Gross Amount US$'000	**Impairment Losses US$'000**	**Net carrying Amount US$'000**
As at 31 December 2018			
Opening net book amount	**56,251**	**(26,426)**	**29,825**
Exchange differences	**(3,200)**	**1,511**	**(1,689)**
Closing net book amount	**53,051**	**(24,915)**	**28,136**
As at 31 December 2017			
Opening net book amount	50,715	(16,042)	34,673
Exchange differences	5,536	(1,891)	3,645
Impairment	-	(8,493)	(8,493)
Closing net book amount	56,251	(26,426)	29,825

9. Goodwill (continued)

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

Following the impairment review, there was no indication that impairment was required.

A summary of the goodwill allocation is presented below:

Geographical region	Total 2018 US$'000	Total 2017 US$'000
UK	**27,913**	29,592
Continental Europe	**223**	233
As at 31 December	**28,136**	29,825

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

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

At 31 December	**2018**				2017			
	Growth Rate %		**Discount Rate %**		Growth Rate %		Discount Rate %	
	2-5 year period	**Long term**	**2-5 year period**	**Long term**	2-5 year period	Long term	2-5 year period	Long term
Geographical region:								
United Kingdom	**2.0**	**2.0**	**18.2**	**18.2**	2.0	2.0	18.2	18.2
Europe								
France	**5.0**	**2.0**	**18.2**	**18.2**	5.0	2.0	18.2	18.2
Germany	**N/A**	**N/A**	**N/A**	**N/A**	1.5	0.0	18.2	18.2

The key assumptions used in value-in-use calculations were:
The budgeted trading profit growth: management determines budgeted trading profit based on past experience and its expectations for the market development. The discount rates used are post-tax and determined by an external valuation of the Group, performed by Duff & Phelps in June 2018.

Sensitivity analysis is performed, showing there is sufficient headroom with a 0% growth rate in the following CGUs: United Kingdom and Continental Europe where the recoverable amount calculated based on the value in use exceeded carrying value by US$6m and US$1m respectively.

10. Other intangible assets

	Contractual customer relationships acquired [1] US$'000	Computer software US$'000	Software development costs US$'000	Total US$'000
At 31 December 2018				
Opening net book amount	**4,450**	**669**	**2,957**	**8,076**
Exchange differences	**(253)**	**(62)**	**(131)**	**(446)**
Additions	**-**	**1,008**	**460**	**1,468**
Disposals	**-**	**(166)**	**-**	**(166)**
Amortisation charge	**(1,083)**	**(296)**	**(291)**	**(1,670)**
Closing net book amount	**3,114**	**1,153**	**2,995**	**7,262**
At 31 December 2018				
Cost	**27,648**	**2,480**	**8,887**	**39,015**
Accumulated amortisation and impairment	**(24,534)**	**(1,327)**	**(5,892)**	**(31,753)**
Closing net book amount	**3,114**	**1,153**	**2,995**	**7,262**
At 31 December 2017				
Opening net book amount	5,146	146	2,141	7,433
Exchange differences	437	28	326	791
Additions	-	670	643	1,313
Disposals	-	-	(13)	(13)
Companies disposed of	-	(37)	(8)	(45)
Amortisation charge	(1,133)	(138)	(132)	(1,403)
Closing net book amount	4,450	669	2,957	8,076
At 31 December 2017				
Cost	29,274	1,809	8,907	39,990
Accumulated amortisation and impairment	(24,824)	(1,140)	(5,950)	(31,914)
Closing net book amount	4,450	669	2,957	8,076

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

11. Property, plant and equipment

	Leasehold Improvements US$'000	Computer Equipment US$'000	Furniture Equipment & other US$'000	Motor vehicles US$'000	Total US$'000
At 31 December 2018					
Opening net book amount	**218**	**413**	**429**	**-**	**1,060**
Exchange differences	**(13)**	**(19)**	**(19)**	**-**	**(51)**
Additions	**179**	**399**	**57**	**-**	**635**
Disposals	**(10)**	**109**	**(162)**	**-**	**(63)**
Charge for year	**(99)**	**(448)**	**(79)**	**-**	**(626)**
Closing net book amount	**275**	**454**	**226**	**-**	**955**
At 31 December 2018					
Cost	**4,125**	**2,514**	**1,540**	**-**	**8,179**
Accumulated depreciation	**(3,850)**	**(2,060)**	**(1,314)**	**-**	**(7,224)**
Closing net book amount	**275**	**454**	**226**	**-**	**955**
At 31 December 2017					
Opening net book amount	131	536	386	60	1,113
Exchange differences	12	55	41	4	112
Additions	170	121	157	-	448
Companies disposed of	(2)	(11)	(24)	-	(37)
Disposals	5	12	(7)	(47)	(37)
Charge for year	(98)	(300)	(124)	(17)	(539)
Closing net book amount	218	413	429	-	1,060
At 31 December 2017					
Cost	4,945	3,076	2,727	-	10,748
Accumulated depreciation	(4,727)	(2,663)	(2,298)	-	(9,688)
Closing net book amount	218	413	429	-	1,060

The net book value of property, plant and equipment held under finance leases was US$nil at 31 December 2018 (2017: US$nil).

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

12. Financial assets at fair value through other comprehensive income (Trade investments in 2017)

	2018 US$'000	2017 US$'000
Financial assets at fair value through other comprehensive income carried at fair value		
Unlisted securities	**153**	159
	153	159

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

These investments were classified as trade investments in 2017.

13. Derivative financial instruments

	2018		2017	
	Assets	**Liabilities**	Assets	Liabilities
	US$'000	**US$'000**	US$'000	US$'000
Forward foreign exchange contracts – Cash flow hedge	**-**	**3,820**	-	1,797
Forward foreign exchange contracts	**24**	**-**	2,255	-
	24	**3,820**	2,255	1,797
Current	**20**	**1,602**	1,176	1,612
Non-current	**4**	**2,218**	1,079	185
	24	**3,820**	2,255	1,797

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

	Year Ended 31 December 2018	Year Ended 31 December 2017
	US$'000	US$'000
BB	**-**	916
BBB	**24**	1,339
	24	2,255

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

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
31 December 2018				
Forward foreign exchange contracts				
Outflows	**(40,942)**	**(27,135)**	**(15,054)**	**(83,131)**
Inflows	**38,719**	**24,934**	**13,639**	**77,292**

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

13. Derivative financial instruments (continued)

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

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

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

a) Forward Foreign Exchange Contracts
The Group's major currency transaction exposures arise in Sterling and Euros and the Group continues to adopt a prudent approach in actively managing these exposures. As at 31 December 2018 the Group had outstanding foreign exchange contracts (US Dollars, British Pounds and Euros) amounting to a principal value of US$83.1m (2017: US$93.9m).

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 48 months. Gains and losses recognised in the hedging reserve in equity (refer to consolidated statement of changes in equity) on forward foreign exchange contracts as of 31 December 2018 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement.

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

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

14. Trade and other receivables

	2018 US$'000	2017 US$'000
Trade receivables	**27,640**	26,919
Less: expected credit loss allowance/impairment provision	**(2,560)**	(1,665)
Trade receivables - net	**25,080**	25,254
Other receivables	**5,463**	6,795
Prepayments	**6,238**	4,013
	36,781	36,062
Analysed as:		
Current	**36,781**	33,473
Non-current	**-**	2,589
	36,781	36,062

As at 31 December 2018, the Group had exposures to individual trade counterparties within trade receivables. In accordance with Group policy, Group operating companies continually monitor exposures against individual clients. No individual trade counterparty credit exposure is considered significant in the ordinary course of trading activity. Management does not expect any significant losses from non-performance by trade counterparties with exception of those where a provision has already been established.

The trade and other receivables carrying amount approximates its fair value. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The group does not hold any collateral as security.

Movements on the Group provision for expected credit loss allowance/impairment provision of trade receivables are as follows:

	2018 US$'000	2017 US$'000
At 1 January	**(1,665)**	(1,324)
Currency translation adjustments	**118**	(196)
Provisions relating to entities disposed of	**-**	17
Provisions made for receivables impairment	**(407)**	(363)
Receivables written off during the year as uncollectible	**260**	14
Provisions released	**(866)**	187
At 31 December	**(2,560)**	(1,665)

	Expected Loss Rate %	Gross trade receivables US$'000	Expected Credit Loss Allowance US$'000	Net trade receivables US$'000
At 31 December 2018				
Not overdue	**0.9%**	**8,812**	**(22)**	**8,790**
Past due not more than three months	**6.6%**	**13,208**	**(169)**	**13,039**
Past due more than three months and not more than six months	**8.8%**	**1,531**	**(225)**	**1,306**
Past due more than six months	**52.4%**	**4,089**	**(2,560)**	**1,945**
	9.3%	**27,640**	**(2,560)**	**25,080**

	Trade receivables US$'000	Impairment provision US$'000	Net trade receivables US$'000
At 31 December 2017			
Not overdue	7,403	-	7,403
Past due not more than three months	12,969	-	12,969
Past due more than three months and not more than six months	3,135	-	3,135
Past due more than six months	3,412	(1,665)	1,747
	26,919	(1,665)	25,254

15. Cash and cash equivalents

	2018 US$'000	2017 US$'000
Cash at bank and in hand	**110,489**	150,163
Restricted cash	**1,555**	1,075
	112,044	151,238
Fiduciary	**95,140**	108,365
Own funds	**16,904**	42,873
	112,044	151,238

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

Restrictions
Own funds of US$4,858,000 held in the UK, Asia and Australia are restricted and arise primarily from compliance with regulatory requirements to hold minimum levels of liquidity within insurance broking subsidiaries.

16. Trade and other payables

	2018 US$'000	2017 US$'000
Insurance creditors	**93,567**	103,280
Social security and other taxes	**2,113**	2,158
Accruals	**17,603**	26,104
Other payables	**3,098**	5,628
	116,381	137,170
Analysed as:		
Current	**116,381**	137,170
Non-current	**-**	-
	116,381	137,170

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

17. Financial Instruments by category

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

At 31 December 2018 Assets per balance sheet	Financial assets at: Fair value through other comprehensive income US$'000	Fair value through profit or loss US$'000	Amortised cost US$'000	Derivatives US$'000	Total US$'000
Other financial assets	153	-	-	-	153
Derivative financial instruments	-	-	-	24	24
Trade and other receivables[(i)]	-	-	30,543	-	30,543
Cash and cash equivalents	-	-	112,044	-	112,044
	153	-	142,587	24	142,764

(i) Prepayments are excluded from the trade and other receivables balance as this analysis is required only for financial instruments.

At 31 December 2018 Liabilities per balance sheet	Derivatives US$'000	Amortised Cost US$'000	Total US$'000
Borrowings	-	2,000	2,000
Trade and other payables[(ii)]	-	116,381	116,381
Derivative financial instruments	3,820	-	3,820
	3,820	118,381	122,201

(ii) Non-financial liabilities are excluded from the trade and other payables balance as this analysis is required only for financial instruments.

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

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

Apart from where disclosed, there are no differences between the fair value and the carrying value of financial assets and liabilities.

17. Financial Instruments by category (continued)

Fair Value Measurement

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

Instruments included in level 2 are financial instruments that are not traded in an active market (for example, over-the-counter derivatives) and for which the fair value is determined by using internal and external models. These models maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. This category includes certain unlisted equity securities and derivative financial instruments. Specific valuation techniques used to value these financial instruments include:

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

Instruments included in level 3 are financial instruments for which one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3

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

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

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

	31 December 2018			
	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
Financial assets at fair value through other comprehensive income				
Other financial assets	**153**	**-**	**-**	**153**
Financial assets at fair value through profit or loss				
Contract Assets	**-**	**8,065**	**-**	**8,065**
Derivative financial assets	**-**	**24**	**-**	**24**
Financial liabilities at fair value through equity				
Derivatives used for hedging	**-**	**(3,821)**	**-**	**(3,821)**

17. Financial Instruments by category (continued)

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

There were no transfers between Level 1 and 2 in the period (2017: nil).

18. Borrowings

	2018 US$'000	2017 US$'000
Current		
Bank borrowings	**2,000**	-
	2,000	-

In July 2018, BMO Harris Bank N.A. provided The Group with a Revolving Credit Facility of $10m. This facility was supported by a guarantee from Lightyear Capital III LLC.

Ed drew down $2m on the loan facility in 2018. In 2019, a further $1m was drawn. The loan was repaid in full on 31st January 2019, when the sale of The Group to BGC completed.

The fair value of the current borrowings equals their carrying amount.

The effective interest rates at the balance sheet date was as follows:

	2018 US$'000	2017 US$'000
Current		
Bank borrowings	**5.82%**	-

		Cashflows		**Non-cash changes**	
	2017 US$'000	**Net (proceeds) /repayment of borrowings US$'000**	**Interest paid US$'000**	**Net financing costs US$'000**	**2018 US$'000**
Assets and borrowings from financing activities	-	(2,000)	6	(6)	**(2,000)**

19. Deferred income taxes

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

	31 December 2018			31 December 2017		
	Assets	**Liabilities**	**Net**	Assets	Liabilities	Net
	US$'000	**US$'000**	**US$'000**	US$'000	US$'000	US$'000
Deferred income	**-**	**(233)**	**(233)**	-	(261)	(261)
Pensions	**-**	**-**	**-**	2,279	-	2,279
Tax assets / (liabilities)	**-**	**(233)**	**(233)**	2,279	(261)	2,018
Net tax assets / (liabilities)	**-**	**(233)**	**(233)**	2,279	(261)	2,018

	At 1 January 2018	**Exchange differences**	**Charge/ (credit) to income**	**Charge/ (credit) to equity**	**At 31 December 2018**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Deferred income	**261**	**(30)**	**2**	**-**	**233**
Pensions	**(2,279)**	**(163)**	**2,283**	**159**	**-**
Net tax (assets) / liabilities	**(2,018)**	**(193)**	**2,285**	**159**	**233**

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

Deferred tax assets are recognised for some overseas operations for tax losses to the extent that the realisation of the related tax benefits through the future taxable profits is considered probable. In respect of the UK, no deferred tax asset has been recognised in respect of the UK pension scheme (note 25), which will unwind gradually over time, as it is not considered probably that the UK will have taxable profits due to the availability of tax losses carried forward.

A deferred tax asset of US$29.3m (2017: US$25.1m) has not been recognised in the balance sheet in respect of certain Group operations, principally in the United Kingdom (2017: United Kingdom and Germany) where it is considered that the losses are unlikely to be utilised in the foreseeable future.

Deferred tax assets in respect of the pension schemes (US$4.0m) and in respect of temporary differences arising as a result of the tax treatment of fixed asset depreciation of US$0.4m (2017: US$0.4m) have also not be recognised as their recovery is unlikely in the foreseeable future.

20. Provisions for liabilities and charges

	Litigation provisions US$'000	**Other provisions US$'000**	**Total US$'000**
At 1 January 2018	**209**	**978**	**1,187**
Exchange adjustment	**22**	**-**	**22**
Correction of 2017 provision included in trade and other payables	**172**	**-**	**172**
Charged/ (credited) to the income statement	**67**	**94**	**161**
Unused amounts reversed	**-**	**(517)**	**(517)**
Paid/utilised in the year	**(236)**	**-**	**(236)**
At 31 December 2018	**234**	**555**	**789**

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

Analysis of total provisions:	**2018 US$'000**	2018 US$'000
Non-current: to be utilised in over 1 year	**-**	-
Current: to be utilised within 1 year	**789**	1,187
	789	1,187

Litigation provisions

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

Other provisions

Other provisions includes known and estimated future costs for the Group and the bad debt provision for non-insurance balances.

21. Equity attributable to owners of the Company

Share Capital	2018 Number of shares	2018 Nominal values US$'000s	2017 Number of shares	2017 Nominal values US$'000s
At 31 December				
Authorised				
Deferred shares of 1p each	**10,730,457**	**172**	10,730,457	172
Non-redeemable voting ordinary shares of 1p each	**212,570,620**	**3,405**	212,570,620	3,405
Redeemable voting ordinary shares of 1p each	**17,142,857**	**275**	17,142,857	275
Special share of 1p each	**1**	**-**	1	-
Non-voting ordinary share of 1p each	**21,634,831**	**346**	21,634,831	346
Total at 31 December	**262,078,766**	**4,198**	262,078,766	4,198
Allotted, called up and fully paid				
Deferred shares of 1p each	**10,730,457**	**163**	10,730,457	163
Non-redeemable voting ordinary shares of 1p each	**275,038,477**	**4,043**	274,938,477	4,042
Total share capital at 31 December	**285,768,934**	**4,206**	285,668,934	4,205

Share Capital	2018 Number of shares	2018 Nominal values US$'000s	2017 Number of shares	2017 Nominal values US$'000s
Movement during year of allotted, called up and fully paid:				
Deferred shares of 1p each				
At 1 January	**10,730,457**	**163**	10,730,457	163
At 31 December	**10,730,457**	**163**	10,730,457	163
Non-redeemable voting ordinary shares of 1p each				
At 1 January	**274,938,477**	**4,042**	274,938,477	4,042
Shares issued in the year	**100,000**	**1**	-	-
At 31 December	**275,038,477**	**4,043**	274,938,477	4,042

Purchases of shares by the ESOT and EBT are deducted against retained earnings; see Note 27 Employee Share Ownership Trust (ESOT) and Employee Benefit Trust (EBT).

Reserves

The Group's overall objective when managing its capital is to maintain a flexible structure:

- to ensure the Group's ability to continue as a going concern;
- to provide an adequate return to shareholders.

The Group monitors capital on the basis of the carrying amount of equity and reserves.

Following the acquisition of the Group by BGC Partners, Inc. on 31 January 2019 the Group will adopt capital management policies in line with the new ownership structure.

Share premium

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

Capital reserve

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

Hedge reserve

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

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

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

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

Share based payments
In accordance with the Articles of Association, employee shareholders of the Group are subject to certain restrictions over the sale of their shares. Such shares represent 8.15% of the shares in issue at the balance sheet date. The existence of these restrictions results in the shares being captured by IFRS 2 "Share based payments".

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

22. Non-controlling interests

	Year Ended 31 December 2018 US$'000	Year Ended 31 December 2017 US$'000
At 1 January	**290**	1,793
Exchange adjustment	**(13)**	359
Non-controlling interest change in shareholding	**-**	(126)
Profit for the year	**148**	201
Dividends	**(143)**	(1,937)
At 31 December	**282**	290

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

23. Cash flows from operating activities

	Notes	**Year Ended 31 December 2018 US$'000**	Year Ended 31 December 2017 US$'000
Cash flows from operating activities (including discontinued)			
Loss/(profit) before tax		**(22,794)**	4,506
Interest income receivable	3/4	**(1,107)**	(789)
Interest payable on bank loans		**6**	-
Fair value gains on financial instruments		**1,971**	1,808
Pension financing net expense		**(189)**	383
Amortisation of share based payments		**542**	-
Depreciation on property, plant and equipment	2	**626**	539
Amortisation of intangible assets	2	**1,670**	1,403
Impairment of intangible assets and goodwill	2	**-**	8,493
Loss on disposal of intangibles	2	**166**	13
Loss on disposal of property, plant and equipment	2	**207**	17
Profit on disposal of subsidiaries		**-**	(31,269)
Movement in IFRS 15 adjustment		**3,482**	-
(Increase)/decrease in trade and other receivables		**(13,263)**	25,723
Decrease in trade and other payables		**(3,876)**	(32,485)
Increase in provisions for liabilities and charges		**(422)**	(22)
(Increase)/decrease in retirement benefit obligation		**(3,228)**	399
Cash used in operations		**(36,209)**	(21,281)
Interest paid		**(6)**	-
Interest received	3	**1,067**	702
Tax paid - Overseas tax paid		**(291)**	(639)
Net cash used in operating activities		**(35,439)**	(21,218)

24. Changes in Accounting Policies

IFRS 15: Revenue from Contract with Customers

Impact on the Financial Statements

Implementation of IFRS 15 has resulted in the 1 January 2018 retained earnings being restated with a reduction of $5.4m, due to a re-phasing of profits for earlier years

The following summarises the adjustment recognised in the Group's retained earnings at the date of initial application.

	Notes	As previously reported 31 December 2017 US$'000	IFRS 15 adjustment 1 January 2018 US$'000	Restated at 1 January 2018 US$'000
Retained earnings		(108,103)	5,423	(102,680)

The contract balances recognised at year end are as follows:

	2018 US$'000	2017 US$'000
Contract assets – current	8,065	-
Contract liabilities – current	(7,174)	-
Contract liabilities – non-current	(651)	-

Capitalised Costs

	Net carrying Amount US$'000
Opening cost at 1 January 2018	-
Movement in the year	2,237
Closing cost at 31 December 2018	**2,237**
Opening amortisation	-
Movement in the year	(536)
Closing cost amount at 31 December 2018	**(536)**
Closing net book value at 31 December 2018	**1,701**
Closing net book value at 31 December 2017	-

The revenue and amortisation costs arising as a result of IFRS 15 are all included with the definition of London Broking in Note 1 – Segmental analysis. This reflects the fact the London Broking is materially the most significant segment of the Group and the fact that the entries are all booked at a consolidation level.

When calculating the amounts to be recognised under IFRS 15 various assumptions have been required based on management expectations, experience and current market conditions. These assumptions have been reviewed against empirical evidence and sensitivity analysis applied where possible.

The calculation of best estimate for revenue recognition has been made taking into account contractual obligations including payment terms, contract length and any likelihood of default based on similar information in prior years. For contracts spanning the year end the calculated best estimate has then been adjusted to reflect revenue deferred to match future obligations. A deferred revenue percentage has been calculated and applied to contracts considered sufficiently similar based on type and period. All known future obligations have been considered and an assessment made of the expected time to be spent to fulfil the ongoing obligations. Comparisons of the estimate by contract type and across divisions has been made to assess consistency and the percentages applied have been stress tested to identify the assumptions that are most significant.

Capitalised Costs (continued)

Costs to fulfil contracts has been calculated based on an average lead-time for placing insurance. As for the deferred revenue percentages as estimate based on an assessment of time likely to be spent has been made. A review of the calculations by flexing the assumption of time spent has been made for each division.

Based on the review and the stress testing applied the Group believe that the assumptions applied are materially correct.

IFRS 9: Financial Instruments

Impact on the Financial Statements

The Group adopted the requirements of IFRS 9 in respect of classification and measurement and impairment from 1 January 2018 on a prospective basis in accordance with the transition provisions of IFRS 9. The 2017 comparatives have not been restated and any impact to retained earnings on adoption of the new standard has been recognised in the Group's Balance Sheet as at 1 January 2018.

The Group has elected, however, to continue to apply the IAS 39 requirements in respect of hedge accounting as provided by paragraph 7.2.21 of IFRS 9.

The impact of the IFRS 9 on the balance sheet is:

i) Classification and measurement

Reclassification of trade investments to other financial assets at fair value through other comprehensive income

ii) Impairment of financial assets

Under IFRS 9 an entity is required to make ongoing assessments of estimated Expected Credit Losses (ECLs) to reflect the general pattern of deterioration or improvement in the credit quality of financial assets since initial recognition. One consequence of this change is that credit losses are recognised earlier than under IAS 39.

An assessment of the estimated ECLs at inception shows that there was no deterioration or improvement in the credit quality of the financial assets from the value reported at 31 December 2017.

Consequently there has been no adjustment to general reserves in the Group's Balance Sheet at the date of initial application.

25. Retirement benefit obligations

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

Since October 2001, new joiners in the UK are generally eligible to join the Cooper Gay Defined Contribution Scheme. Contributions to the scheme are charged to the income statement so as to spread the cost of pensions over the employees working lives with the entity. The cost of the contributions to the group scheme amount to US$2,849,000 (2017: US$2,625,000) being between 5% and 17.5% of pensionable salary.

In addition to the UK scheme, five (2017: five) overseas subsidiaries sponsor non-contributory defined contribution pension schemes covering all eligible employees. Contributions are at the discretion of the directors of those companies based on a percentage of eligible salary. The charge for the year was US$274,000 (2017: US$538,000).

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

	31 December 2018			31 December 2017		
	UK	**Overseas**	**Total**	UK	Overseas	Total
	US$'000	**US$'000**	**US$'000**	US$'000	US$'000	US$'000
Defined benefit schemes	**463**	**376**	**839**	424	467	891
Defined contribution schemes	**2,849**	**274**	**3,123**	2,625	538	3,163
	3,312	**650**	**3,962**	3,049	1,005	4,054

UK and German defined benefit scheme

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

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

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

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

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

25. Retirement benefit obligations (continued)

The principal assumptions made in the valuations as at 31 December 2018 and prior years were as follows:

	Note	**31 December 2018**		31 December 2017	
		UK Scheme	**German Scheme**	UK Scheme	German Scheme
Rate of increase in salaries		**-**	**2.50%**	-	2.50%
Rate of increase in pension payments	a	**3.25%**	**1.75%**	3.25%	1.75%
Discount rate		**2.85%**	**1.90%**	2.50%	1.90%
Inflation rate		**3.20%**	**1.75%**	3.15%	1.75%
Revaluation rate for deferred pensioners		**3.25%**	**n/a**	3.25%	n/a
Expected return on plan assets	b	**2.85%**	**n/a**	2.50%	n/a
Mortality - life expectancy at age 65 for male member:	c	**23.3**	**20**	23.4	19
Mortality - life expectancy at age 65 for female member:	c	**24.2**	**24**	24.2	23

a) UK Scheme - Limited Price Indexation to a maximum of 5%, minimum 3%.

b) The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the end of the reporting year. Expected returns on equity reflect the long-term real rates of return experienced in the respective markets.

c) Mortality assumptions for the UK scheme are based on Club Vita mortality tables with future improvements based on the CMI2017 model with a long term rate of 1.25%. Mortality assumptions for the German scheme are based on the Heubeck 2005 G tables.

Sensitivity assumptions

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

UK Scheme	**Impact on defined benefit obligation**		
	Change in assumption	**Increase in assumption US$'000**	**Decrease in assumption US$'000**
Discount rate	**0.50%**	**5,523**	**(5,372)**
Inflation	**0.10%**	**(1,038)**	**1,581**
Mortality	**1 Year**	**(3,363)**	**2,437**

German Scheme	**Impact on defined benefit obligation**		
	Change in assumption	**Increase in assumption US$'000**	**Decrease in assumption US$'000**
Rate of increase in salaries	**0.50%**	**(0)**	**0**
Discount rate	**0.50%**	**74**	**(79)**
Inflation	**0.25%**	**(35)**	**34**
Mortality	**1 Year**	**(107)**	**94**

25. Retirement benefit obligations (continued)

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

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

	UK Scheme		German scheme		Total	
	2018	2017	**2018**	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Present value of funded obligations	**(60,899)**	(73,204)	**(14,551)**	(15,941)	**(75,450)**	(89,145)
Fair value of plan assets	**66,514**	72,978	**-**	-	**66,514**	72,978
Asset Ceiling	**(20,447)**	-	**-**	-	**(20,447)**	-
Net liability recognised in the balance sheet	**(14,832)**	(226)	**(14,551)**	(15,941)	**(29,383)**	(16,167)

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

	Obligations 2018 US$'000	**Assets 2018 US$'000**	**Asset Ceiling 2018 US$'000**	**Total 2018 US$'000**	Obligations 2017 US$'000	Assets 2017 US$'000	Total 2017 US$'000
Opening balance as at 1 January	**(89,145)**	**72,978**	**-**	**(16,167)**	(88,279)	68,018	(20,261)
Current service cost	**(359)**	**-**	**-**	**(359)**	(508)	-	(508)
Past service cost (GMP equalisation)	**(213)**	**-**	**-**	**(213)**			
Interest income / (cost)	**(2,005)**	**1,738**	**-**	**(267)**	(2,211)	1,828	(383)
	(2,577)	**1,738**	**-**	**(839)**	(2,719)	1,828	(891)
Remeasurements:							
Return on plan assets, excluding amounts included in interest costs	**-**	**(826)**	**-**	**(826)**	-	2,894	2,894
Loss from change in demographic assumptions	**215**	**-**	**-**	**215**	2,083	-	2,083
Gain / (loss) from change in financial assumptions	**4,116**	**-**	**-**	**4,116**	(2,015)	-	(2,015)
Experience gain/(loss)	**790**	**-**	**-**	**790**	1,039	-	1,039
Effect of asset ceiling	**-**	**-**	**(21,348)**	**(21,348)**			
	5,121	**(826)**	**(21,348)**	**(17,053)**	1,107	2,894	4,001
Exchange differences	**4,456**	**(4,036)**	**901**	**1,321**	(8,761)	6,409	(2,352)
Employer contributions	**-**	**2,793**	**-**	**2,793**	-	2,784	2,784
Actual benefit payments	**6,695**	**(6,133)**	**-**	**562**	9,507	(8,955)	552
Closing balance as at 31 December	**(75,450)**	**66,514**	**(20,447)**	**(29,383)**	(89,145)	72,978	(16,167)

An asset ceiling was applied to the UK scheme this year as the UK Scheme IAS19 valuation was showing a net pension asset/surplus. The UK entities have committed to paying US$2,445,696 per annum for the next 6.5 years. An asset ceiling has been applied to reduce the net pension asset to a liability of the present value of the non-refundable minimum funding requirements.

25. Retirement benefit obligations (continued)

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

	31 December 2018			31 December 2017		
	Long-term rate of return %	**Value US$'000**	**%**	Long-term rate of return %	Value US$'000	%
Equities	**2.85%**	**3,290**	**4.95%**	2.50%	3,700	5.07%
Bonds	**2.85%**	**18,446**	**27.73%**	2.50%	18,356	25.15%
Other assets	**2.85%**	**39,513**	**59.41%**	2.50%	49,784	68.22%
Cash	**2.85%**	**5,265**	**7.92%**	2.50%	1,138	1.56%
		66,514	**100.01%**		72,978	100.00%

The analysis of the present value of funded obligations is as follows:

	2018 US$'000	2017 US$'000
Active Members	**10,998**	15,604
Deferred Members	**31,752**	35,415
Pensioners	**32,700**	38,126
	75,450	89,145

The expected employer contributions to the defined benefit schemes for the year ending 31 December 2018 is US$2,659,694.

26. Commitments

Operating lease commitments - where a Group company is the lessee
The Group leases various offices under non-cancellable operating lease agreements. The lease terms are between 1 and 10 years, and the majority of lease arrangements are renewable at the end of the lease at market rate.

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

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

	Year Ended 31 December 2018 US$'000	Year Ended 31 December 2017 US$'000
Not later than 1 year	**3,714**	3,808
Later than 1 year and not later than 5 years	**5,961**	4,961
Later than 5 years	**-**	26
	9,675	8,795

26. Commitments (continued)

Legal and other loss contingencies

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

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

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

At 31 December 2018, the Group had contingent liabilities in respect of guarantees and letters of credit on behalf of Group companies amounting to US$nil (2017: US$nil).

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

As at 31 December 2018, the ESOT held 8,940,876 (2017: 8,940,876) non-redeemable voting ordinary shares, 10,718,378 (2017: 10,718,378) deferred shares in Ed Broking Group Limited. The estimated fair value of these shares is US$1,122,887 (2017: US$1,788,176).

As at 31 December 2018, the EBT held 13,474,595 (2017: 13,474,595) non-redeemable voting ordinary shares in Ed Broking Group Limited. The estimated fair value of these shares is US$4,127,462 (2017: US$8,301,058). These are the only assets of the EBT and are held for shares issuable in respect of the Joint Ownership Equity Scheme. The fair value of these shares is fixed to the scheme exercise price, see Note 5 for further details.

28. Principal subsidiary companies

The following were the principal subsidiary entities at 31 December 2018. Unless otherwise shown, the capital of each company is wholly-owned, is in ordinary shares and the principal country of operation is the country of incorporation / registration.

Principal Subsidiaries	Address of Registered Office	Nature of business	Parent	Group	Non-controlling Interest
			Proportion of shares held by:		
Ed Broking Holdings (London) Limited	1	Intermediate holding company	100%	100%	-
Owned through Ed Broking Holdings (London) Limited:					
Ed Broking (UK) Limited	1	Intermediate holding company	-	100%	-
Ed Broking (London) Limited [1]	1	Insurance and reinsurance Intermediary	-	100%	-
Globe Underwriting Limited [4]	1	Underwriting Agency	-	100%	-
Cooper Gay (Employee Trust) (Jersey) Limited	1	ESOT	-	100%	-
Cooper Gay (Employee Benefit Trust) Limited	1	EBT	-	100%	-
Ed Broking Holdings (2016) Limited	1	Intermediate holding company	-	100%	-
Ed Broking (2016) Limited [2]	1	Intermediate holding company	-	100%	-
Ed Broking Holdings LLP [3]	1	Intermediate holding company	-	100%	-
NMB Beijing Consulting Company [4]	2	Reinsurance intermediary	-	100%	-
Ed Broking LLP [4]	1	Insurance and reinsurance Intermediary	-	100%	-
Junge Versicherungsmakler Holding GmbH	3	Intermediate holding company	-	100%	-
Junge & Co. Versicherungsmakler GmbH [5]	3	Insurance Intermediary	-	100%	-
Gunther Lubsen GmbH[6]	3	Underwriting Agency	-	100%	-
Cooper Gay (France) SASU	4	Insurance and reinsurance Intermediary	-	80%	20%
Ed Broking (Asia) Pte Limited	5	Reinsurance Intermediary	-	100%	-
Cooper Gay (Australia) Pty Limited [7]	6	Reinsurance Intermediary	-	100%	-
Ed Broking (Hong Kong) Limited [7]	7	Reinsurance Intermediary	-	100%	-
CGSC Holdings (Australia) Pty Ltd	6	Intermediate holding company	-	100%	-
Epsilon Insurance Broking Services Pty Ltd [8]	6	Managing General Agent	-	100%	-
Ed Broking (MENA) Ltd	8	Reinsurance Intermediary	-	100%	-
Ed Broking Holdings, Inc.	9	Intermediate holding company	-	100%	-
Ed Broking Miami Inc.	9	Insurance and reinsurance Intermediary	-	100%	-
Cooper Gay Cayman	10	Insurance and reinsurance Intermediary	-	100%	-

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

Registered Offices:

1 The Hallmark Building, 52 Leadenhall Street, London, EC3A 2EB, United Kingdom
2 27 Floor Tower , No 5 Jinghua South Street Chaoyang District, Beijing China 10020
3 Hohe Bleichen 11, 20354, Hamburg, Germany
4 24, rue de Mogador, Paris, 75009, France.
5 3 Church Street, # 28-04 Singapore, 49483, Singapore
6 *Suite 1503, Level 15, 1 Market Street, Sydney NSW 2000, Australia*
7 Unit 2011, 20/F, Prosperity Millennia Plaza, 663 King's Road, North Point, Hong Kong
8 Al Fattan Properties, Currency House, Tower 1, Level 3 Office 307-308 - DIFC, Dubai - UAE 506857
9 800 Brickell Avenue Ste 300, Miami, Florida, 33131, USA
10 4th Floor, Willow House, Cricket Square, Grand Cayman, KY1-9010, Cayman Islands

Notes:

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

29. Events after the reporting date

On 31st January 2019, BGC Partners, Inc. (NASDAQ: BGCP), a global brokerage and financial technology company, acquired 100% of Ed Broking Group Limited for a total consideration of $95m.

30. Related party transactions

EC3 Union Holdings Limited ('EC3') is a related party by virtue of its shareholding and representation on the Board of Directors. During the year, the Group paid expenses of US$1.0m (2017: US$0.8m) to Lightyear Capital III LLC ('Lightyear'), a related party of EC3, for services provided. Services are provided on normal commercial terms and conditions. As at the 31 December 2018, US$0.2m (2017: US$0.2m) was due to Lightyear.

MDS, SGPS, SA (MDS) is a related party by virtue of its shareholding and representation on the Board of Directors. During the year, the Group received commission of US$nil (2017: US$nil) relating to insurance transactions conducted in the normal course of business with the Sonae Group of which MDS is a subsidiary. As at the 31 December 2018, US$0.0m was due to (2017: US$0.2m) the Sonae Group. During the year, the Group paid expenses of US$0.0m (2017: US$0.1) to MDS Group for services provided. Services are provided on normal commercial terms and conditions. As at the 31 December 2018, US$0.0m (2017: US$0.2m) was due to MDS.

31. Ultimate controlling party

At 31 December 2018, the Company was under the ultimate control of EC3 Union Holdings Limited, a company incorporated in the Cayman Islands, by virtue of its controlling shareholding in the company.

Group accounts are only prepared for Ed Broking Group Limited.

At 31 January 2019, following the sale to BGC Partners, Inc., the ultimate controlling party changed to Cantor Fitzgerald L.P.

Statement of Financial Position
As at 31 December 2018

Prepared in accordance with FRS 102

	Notes	2018 US$'000	2017 US$'000
Fixed assets			
Investments in subsidiaries	b	**69,902**	69,902
		69,902	69,902
Current assets			
Debtors	c	**92,812**	84,571
Cash at bank and in hand		**10**	708
		92,822	85,279
Creditors – amounts falling due within one year	d	**(20,304)**	(14,027)
Net current liabilities		**72,518**	71,252
Net assets		**142,420**	141,154
Capital and reserves			
Called up share capital	e	**4,206**	4,205
Share premium account	e	**158,632**	158,632
Profit and loss account	e	**(20,418)**	(21,683)
Total equity		**142,420**	141,154

The Accounting Policies and Notes on pages 73 to 74 form an integral part of these financial statements.

The financial statements on pages 71 to 74 were approved by the Board and signed on its behalf on 23 September 2019 by:

Stephen Hearn
Chief Executive Officer

Statement of Changes in Equity
For the year ended 31 December 2018

	Share capital	Share premium	Capital reserve	Profit and loss account	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2018	**4,205**	**158,632**	**-**	**(21,683)**	**141,154**
Profit for the financial year	-	-	-	1,265	1,265
Issue of shares	1	-	-	-	1
At 31 December 2018	**4,206**	**158,632**	**-**	**(20,418)**	**142,420**
At 1 January 2017	4,205	158,632	-	(19,140)	143,697
Loss for the financial year	-	-	-	(2,278)	(2,278)
Share based payments	-	-	-	(265)	(265)
At 31 December 2017	4,205	158,632	-	(21,683)	141,154

Accounting policies

Basis of preparation

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

The financial statements accounting policies have been consistently applied.

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

Foreign currencies

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

Taxation

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

Consolidated financial statements

Separate consolidated financial statements have been prepared and are presented on pages 16 to 70.

Subsidiary and associates

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

Investment income

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

Dividends distribution

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

Cash flow statement

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

a. Profit and loss account

The Company has taken advantage of the exemption contained in Section 408 of the Companies Act 2006 not to present its own profit and loss account. The profit for the year recognised in the Company Profit and Loss Account is US$1,265,000 (2017: loss US$2,278,000).

b. Investments in subsidiaries

	US$'000
Cost	
At 1 January 2018	**69,902**
At 31 December 2018	**69,902**
Cost	
At 1 January 2017	69,902
At 31 December 2017	69,902

c. Debtors

	2018 US$'000	2017 US$'000
Amounts owed by group undertakings	**92,169**	84,511
Other debtors	**643**	60
	92,812	84,571

d. Creditors - amounts falling due within one year

	2018 US$'000	2017 US$'000
Amounts owed to group undertakings	**17,397**	9,211
Other payables	**242**	328
Accruals and deferred income	**665**	4,488
Bank Loans	**2,000**	-
	20,304	14,027

e. Called up share capital and reserves

Details of the reserves are given in the Statement of Changes in Equity, on page 72. Details of the Company's share capital are given in note 21 on pages 59 and 60.

f. Financial risk management

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

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