



CITYNET

Insurance Brokers Limited

**CITYNET INSURANCE BROKERS LIMITED**  
**(Company Registration Number: 3933031)**

**REPORT OF THE DIRECTORS AND**  
**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**  
**29 February 2016**

## **Citynet Insurance Brokers Limited**

### **Directors**

R J Scott  
G T Kinsella  
D Walland  
A M Purves  
A M Reason  
S Charman  
R Seeley  
T Hicks  
A Walsh  
P R Pennington Legh  
A Colosso

(Non Executive Chairman)  
(Non Executive) (Appointed 2<sup>nd</sup> February 2016)

### **Secretary**

D. Walland

### **Registered Office**

71 Fenchurch Street  
London  
EC3M 4BS

Company number 3933031

### **Auditors**

Mazars LLP  
Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD

### **Principal Bankers**

Barclays Bank PLC  
1 Churchill Place  
London  
E14 5HP

### **Lawyers**

Lattey & Dawe  
21 Liverpool Street  
London  
EC2M 7RD

## Citynet Insurance Brokers Limited

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## Citynet Insurance Brokers Limited

### Chief Executive Officers Review

The last 12 months has been very exciting with our income growing to GBP 6.3m, adding new talent to our team and moving to a new office for the first time in nearly 9 years. We have also appointed Adrian Colosso to the Board as a Non-executive Director which has proved successful in raising our profile with retail brokers, underwriters and the media alike. We have also invested very heavily in exhibiting at Biba, Broker Expo and updating our website all of which we expect to pay dividends in the future.

Over the last three years we have more than doubled our income to GBP 6,313,689 and during the period our EBITDA has increased from GBP 345,768 to GBP 1,559,898, which is an increase of 351% prior to FRS 102 adjustments and provisions. This has all been achieved in a challenging environment of excess capacity, uncertain rates of exchange and a very challenging landscape for the broking community.

We still remain 100.00% independent, with all shareholders actively working in the business. We are also proudly free of any debt and borrowings with shareholders' funds amounting to GBP 1,709,594 which exceeds the minimum solvency margin by over five times. This financial strength allows the company to make decisions for the right business reasons.

We remain firmly committed to organic growth as well as the recruitment of individuals and teams that will complement and add value to our panel of retail brokers within the UK and Ireland.

We believe that our modus operandi of having a select broker base combined with dedicated account executive and handler for each retail broker will continue to pay dividends. We also believe that service is the key to both our renewal retention and new business and just as important is our claims function. We take great pride in getting claims settled as quickly and painlessly as possible. During our period of growth we have continued to resource all areas to ensure our service standards don't slip.

Over the next 12 months we are forecasting a significant increase in both our income and profit. It is our ambition to be amongst the fastest growing and most profitable brokers in London.

Signed 30 November 2016



Richard Scott  
Chief Executive Officer

## Citynet Insurance Brokers Limited

### Strategic Report

The Directors present their strategic report for the year ended 29 February 2016.

#### Review and analysis of the business during the year

There was no fundamental change to the business activities throughout the year.

#### Key performance indicators

Management use a range of performance measures to monitor and manage the business. The Key performance indicators are set out below.

#### REVENUE BY TERRITORY

United Kingdom	53%
Ireland	46%
International	1%

#### REVENUE PER EMPLOYEE

Year	Average Employees	Turnover per employee
2013	27	£113,245
2014	32	£130,626
2015	40	£131,648
2016	53	£119,126

#### EBITDA

2013	£345,768
2014	£1,055,974
2015	£1,348,918
2016	£1,215,488

#### EBITDA MARGIN

11%
25%
26%
19%

#### Development and financial performance during the year/period

As reported in the company Statement of Comprehensive Income, the company revenue has increased from £5.26m to £6.31m (19.9%) due to a balance of strong renewal retention, organic growth, a favourable Irish market and the growth of the new UK teams acquired in 2014/15.

The growth in turnover has resulted in the need to recruit additional resources in order to ensure our service levels and quality control are maintained thus taking the average number of employees from 40 to 53. This included producing brokers, placing brokers and support staff plus additional resources to our Claims department

The business has continued to grow as planned, but with that growth comes additional resources and with the ever increasing regulation requirements the control of costs has become a key management focus this year.

This is the first year in which the company has prepared their accounts under FRS 102 as in previous years they were prepared using UK GAAP. The EBITDA figure above for 2015 has been restated under FRS 102 guidelines to give a clearer like for like comparison over the two periods. Operating profit for 2016 slightly decreased to £1.14m (Operating Profit Margin 17%) from £1.26m (operating Profit Margin 24%) and net profit decreasing to £1.14m (Net Profit Margin 17%) from £1.29m (Net Profit Margin 24%). Management are incredibly proud of this achievement because although there was a decrease in profit for the period the only factor leading to this decline was a £250,000 provision (note 19) being established in the year.



## Citynet Insurance Brokers Limited

### Strategic Report

#### Financial position at the reporting date

The statement of financial position shows that the Company's net assets at the year end has decreased slightly from £1.76m to £1.7m, this slight deduction is due to the provision (note 17) and FRS 102 adjustments. The Gearing ratio reduced from 4.3% to 0%. The reason for this decrease is because the loan has been repaid.

#### Liquidity risk

The Board manages its cash and borrowing requirements centrally to maximise interest income and minimise interest expense, whilst ensuring that the Company has sufficient liquid resources to meet the operating needs of its business.

#### Foreign currency risk

The Company's principal foreign currency exposures arise from exporting services overseas. The Company policy permits, but does not demand, that these exposures may be hedged in order to fix the cost in sterling. This hedging activity involves the use of foreign exchange forward contracts and is designed to protect the Company. During the year the Company utilised Barclays Bank and Global Reach Partners to hedge forward contracts for Euro based business.

#### Principal risks and uncertainties facing the business

The Risk Committee continually monitor the key risks facing the Company together with assessing the controls used for managing these risks. The Risk Committee formally reports to the board of directors which reviews and documents the principal risks facing the business at least quarterly.

The principal risks and uncertainties facing the Company are as follows:

Reliance on a key personnel	The risk is managed by creating the right working culture, a good reward package including share options and financial incentive packages. For senior staff there is also keyman cover.
Reliance on key customer	The Company has a wide spread of customers and no customer accounts for more than 10% of turnover
Competitor Pressure	The Company has a healthy competitive nature in a condensed market that enables the company to monitor its competitors very closely
Euro exchange rate exposure	The Company monitors exposure daily and has agreements in place with its bankers (Barclays) and also with Global Reach FX to be able to hedge forward to protect the Company
Brexit	The main risk to the Company is on our business emanating from the Republic of Ireland. The board of directors continue to monitor the situation and are considering opening a regulated office in the Republic of Ireland to reduce any risk, should it arise.

## **Citynet Insurance Brokers Limited**

### **Strategic Report**

#### **Culture**

Despite the rapid growth of the Company we believe the culture of the firm has not changed, we are a regulated Insurance Intermediary providing professional first class service in a friendly and approachable way. This year we have been pro-active enhancing our processes, claims service, staff training and our new Compliance Officer has brought some new dimensions to our Compliance culture. The company remains completely independent and operates wholly in the wholesale market where the number of independent Lloyd's Brokers has diminished appreciably leaving the Company well placed to thrive in the coming year.

This report was approved by the board on the 30 November 2016 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'D Walland', is written over the text 'This report was approved by the board on the 30 November 2016 and signed on its behalf.'

**D Walland**  
**Chief Financial Officer**

## **Citynet Insurance Brokers Limited**

### **Report of the Directors'**

The Directors have pleasure in presenting their report and the financial statements for the year ended 29 February 2016.

#### **Principal Activities**

The principal activity of the Company during the year was that of a wholesale Lloyd's insurance broker specialising in Liability, Professional Indemnity, Property Insurance, Fleet Insurance and combined packages and facilities.

We have established ourselves as one of the London Market leaders in arranging bespoke binders and facilities in the UK, Ireland and New Zealand.

#### **Future Developments**

Following the company's move to 71 Fenchurch Street there is now sufficient office space to start recruiting again and the Directors will be looking at new opportunities in their existing space but also to new classes and territories. In the next period the objective will be to target growth on Motor Fleet derived from the new team and organic growth, on UK aided by the new marketing and higher profile, on Irish from the improved market conditions, on Professional Indemnity from the new PI manager utilising cross selling opportunities and a modest increase on New Zealand and International.

The buoyant M&A activity in the market continues to present many opportunities for the Company and the increasing financial strength of the Group leaves the company well placed to invest in high profile teams and looking at its first company purchase.

The Company has no immediate plans to change direction from its successful combination of products and territories however opportunities are constantly arising and under review by the Board of Directors.

#### **Results and Dividends**

The trading results for the year, and the Company's financial position at the end of the year, are shown in the attached financial statements.

The operating profit amounted to £1,148,256 (2015: £1,292,724).

The profit for the year after tax amounted to £949,438 (2015: £998,977). The Directors approved dividends of £1,004,196 (2015: £621,704) during the year.

#### **Directors indemnity**

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for directors and officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted or alleged to have been done or omitted, by them as officers or employees of the Company.

Appropriate directors and officers' liability insurance cover is in place in respect of all of the Company's directors.



## **Citynet Insurance Brokers Limited**

### **Report of the Directors'**

#### **Directors Interests in Shares**

100% of Citynet Insurance Brokers Ltd shares are held by Citynet London Holdings Ltd. The director's interest in the share capital of the company, by virtue of their holdings in the immediate parent company at 29 February 2016 is R.J. Scott 50.01% (2015: 50.01%), G.T. Kinsella 22.70% (2015: 22.70%), D. Walland 14.79% (2015: 14.79%), A. Purves 5.00% (2015: 5.00%), S.Charman 5.00% (2015: 5.00%) and A.Reason 2.50% (2015: 2.50%).

No new options were granted during the year, 2.50% of unexercised options are held by A Reason at the end of the period.

#### **Donations**

During the year charitable donations of £4,041 (2015: £10,600) were made. No political donations were made during the year.

#### **Auditors**

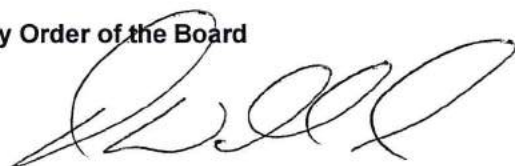
Mazars LLP have agreed to continue as our auditors in accordance with Section 485 of the Companies Act 2006.

#### **Disclosure of information to Auditors**

The directors have taken all the necessary steps to make themselves aware, as directors, of any relevant audit information and to establish that the auditors are aware of that information.

As far as the directors are aware, there is no relevant information of which the company's auditors are unaware.

**By Order of the Board**



**D Walland**  
Chief Financial Officer

**30 November 2016**

**Citynet Insurance Brokers Limited**

**Statement of Directors' Responsibilities  
for the year ended 29 February 2016**

The Directors are responsible for preparing the Directors 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the Company 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

## **Independent Auditors Report to the member of**

### **Citynet Insurance Brokers Limited**

We have audited the financial statements of Citynet Insurance Brokers Limited for the year ended 29 February 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the company's members 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 for our audit work, for this report, or for the opinions we have formed.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 29 February 2016 and of its profit for the year then ended;
- 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
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Independent Auditors Report to the member of  
Citynet Insurance Brokers Limited (*continued*)**

**Opinion on the other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Report of the Directors' for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

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

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



Amanda Barker (Partner)  
for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor  
Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD

**Date: 30 November 2016**



**Citynet Insurance Brokers Limited**  
**Statement of Comprehensive Income**  
**for the year ended**

	<u>Note</u>	29 February 2016 £	28 February 2015 £
<b>Turnover</b>	4	6,313,689	5,265,903
<b>Administrative expenses</b>		(5,166,884)	(3,997,363)
<b>Operating Profit before Interest and Tax</b>	5	<u>1,146,805</u>	<u>1,268,540</u>
Loss arising on fair value of derivative instruments	16	(21,891)	-
Interest receivable and other income	6	<u>23,342</u>	<u>24,184</u>
<b>Profit on Ordinary Activities before Taxation</b>		1,148,256	1,292,724
Tax on profit on ordinary activities	9	(198,818)	(293,747)
<b>Profit on Ordinary Activities after Taxation</b>		<u>949,438</u>	<u>998,977</u>
Other Comprehensive Income		-	-
<b>Total Comprehensive Income for the Year</b>		<u>949,438</u>	<u>998,977</u>

All activities are continuing.

The notes on pages 13 to 30 form part of these financial statements.

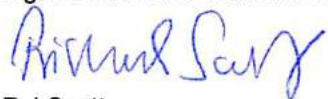
## Citynet Insurance Brokers Limited

## Statement of Financial Position

	Note	29 February 2016		28 February 2015	
		£	£	£	£
<b>Fixed Assets</b>					
Tangible fixed assets	10		123,678		131,051
<b>Current Assets</b>					
Debtors	12	12,358,167		9,281,433	
Cash at bank and in hand	13	4,579,855		4,566,510	
		<u>16,938,022</u>		<u>13,847,943</u>	
<b>Creditors: amounts falling due within one year</b>	14	<u>(15,102,106)</u>		<u>(12,209,986)</u>	
<b>Net Current Assets</b>			<u>1,835,916</u>		<u>1,637,957</u>
<b>Total Assets Less Current Liabilities</b>			<u>1,959,594</u>		<u>1,769,008</u>
<b>Creditors: amounts falling due after more than one year</b>	15	-		(4,656)	
<b>Provision for Liabilities</b>	17	<u>(250,000)</u>		-	
<b>Total Assets Less Liabilities</b>			<u>1,709,594</u>		<u>1,764,352</u>
<b>Capital and Reserves</b>					
Called up share capital	19		210,527		210,527
Capital redemption reserve			6,250		6,250
Profit and loss account			<u>1,492,817</u>		<u>1,547,575</u>
<b>Equity Shareholder Funds</b>			<u>1,709,594</u>		<u>1,764,352</u>

The financial statements were approved by the Board and authorised for issue on 30 November 2016.

Signed on behalf of the board by



R.J Scott  
Chief Executive Officer

The notes on pages 13 to 30 form part of these financial statements.

## Citynet Insurance Brokers Limited

## Statement of Cashflows

	29 February 2016 £	28 February 2015 £
<b>Cash flows from operating activities</b>		
Operating profit for the financial year	1,146,805	1,268,540
Adjustments for;		
Depreciation of tangible assets	64,823	49,248
Loss on Disposal	62,958	12,011
(Increase) in trade and other debtors	(3,076,734)	(2,523,395)
Increase in trade and other creditors	3,081,588	2,738,275
Increase in Provisions for Liabilities	250,000	-
Interest receivable	23,342	24,184
Loss on Derivatives	(21,891)	-
Tax Paid	(300,940)	(238,159)
Net cash generated by operating activities	<b>1,229,950</b>	<b>1,330,704</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of tangible fixed assets	19,358	798
Purchases of tangible assets	(139,766)	(91,380)
Net cash used in investing activities	<b>(120,408)</b>	<b>(90,582)</b>
<b>Cash flows from financing activities</b>		
Repayment of bank loans	(83,333)	(100,000)
Repayment of finance lease obligations	(8,668)	(4,332)
Dividends paid	(1,004,196)	(621,704)
Net cash used in financing activities	<b>(1,096,197)</b>	<b>(726,036)</b>
<b>Net increase in cash and cash equivalents</b>	<b>13,345</b>	<b>514,086</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>4,566,510</b>	<b>4,052,424</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>4,579,855</b>	<b>4,566,510</b>

## Citynet Insurance Brokers Limited

## Statement of Changes in Equity

	<u>Called Up Share Capital</u>	<u>Capital Redemption Reserve</u>	<u>Profit &amp; Loss Account</u>	<u>Total Equity</u>
	£	£	£	£
At 1 March 2014	210,527	6,250	1,170,302	1,387,079
Profit for the Year	-	-	998,977	998,977
Dividends Paid	-	-	(621,704)	(621,704)
<b>At 28 February 2015</b>	<b>210,527</b>	<b>6,250</b>	<b>1,547,575</b>	<b>1,764,352</b>
At 1 March 2015	210,527	6,250	1,547,575	1,764,352
Profit for the Year	-	-	949,438	949,438
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	949,438	949,438
Dividends Paid	-	-	(1,004,196)	(1,004,196)
<b>At 29 February 2016</b>	<b>210,527</b>	<b>6,250</b>	<b>1,492,817</b>	<b>1,709,594</b>



## Citynet Insurance Brokers Limited

### Notes to the Financial Statements for the year ended 29 February 2016

#### 1. Company Information

Citynet Insurance Brokers Limited is a limited company incorporated in the United Kingdom and regulated by the Financial Conduct Authority. The address of its registered office and principal place of business is 71 Fenchurch Street, London, EC3M 4BS

The principal activity of the company is that of a wholesale Lloyd's insurance broker specialising in Liability, Professional Indemnity, Property Insurance, Fleet Insurance and combined packages and facilities.

#### 2. 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. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

This is the first year in which the financial statements have been prepared under FRS 102. Refer to note 28 for an explanation of the transition.

The financial statements are presented in Sterling (£)

##### (a) Accounting convention

The financial statements are prepared under the historical cost convention.

##### (b) Turnover

Turnover represents net retained brokerage, commissions and charges earned during the year for insurance services rendered.

##### (c) Recognition of income

###### Non Binder Brokerage

Brokerage and fees are taken to profit and loss at the later of the inception date of the policy or period of insurance or when the policy placement has been substantially completed and confirmed. No provision is made for adjustments to brokerage which may arise from future events such as policy cancellation, extension or amendment as these adjustments have historically been immaterial. Where there is an expectation of future servicing requirements, a proportion of income relating to the policy is deferred to cover the associated obligations under the policy contract.

###### Binder Brokerage

Binder business received from non-Citynet coverholders can be recognised the month after the inception due to timing of the bordereau being received. This is the point at which the firm are able to determine the economic benefits are reasonably receivable. Amendments that may arise in this one month lag have historically been immaterial.

##### (d) Foreign currencies

Assets, liabilities, revenues and costs expressed in foreign currencies are translated into sterling at rates of exchange ruling on the date on which transactions occur, except for monetary assets and liabilities which are translated at the rate ruling at the balance sheet date. Differences arising on the translation of such items are dealt with in profit and loss.

## Citynet Insurance Brokers Limited

### Notes to the Financial Statements for the year ended 29 February 2016 *(continued)*

#### 2. Basis of Preparation *(continued)*

##### (e) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Plant and equipment includes office furniture and equipment and computer equipment.

Depreciation is provided at rates calculated to write off the cost over three or four years as follows:

Plant and equipment	-	25% or 33⅓% per annum on cost
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##### (f) Current taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

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

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

##### (g) Insurance broking debtors and creditors

The company acts as an agent in broking the insurable risks of its clients and, generally, is not liable as principal for premiums due to underwriters or for claims payable to clients. Notwithstanding the company's legal relationships with clients and underwriters and since, in practice, premium and claim monies are usually accounted for by insurance intermediaries, the company has followed generally accepted practice by showing cash, debtors and creditors relating to insurance business as assets and liabilities of the company itself. In accordance with FRS 102, the company have included all balances the company are liable for.



## Citynet Insurance Brokers Limited

### Notes to the Financial Statements for the year ended 29 February 2016 *(continued)*

#### 2. Basis of Preparation *(continued)*

##### (h) Operating leases

Leases where substantially all the benefits and risks of the ownership of the assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

##### (i) Pension costs

Contributions to the company's defined contribution scheme are charged to the profit and loss in the year in which they become payable.

##### (j) Share Based Payments

In accordance with FRS 102 section 26 "Share Based Payments" the company reflects the economic cost of any shares options issued to directors or employees by recording an expense in the profit and loss for the fair value on date of grant of the benefit awarded. The fair value is taken from a valuation model based on earnings.

##### (k) Provisions for Liabilities

Provisions are recognised when the company has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The increase in the provision due to passage of time is recognised as interest expense.

##### (l) Financial Instruments

Financial assets and liabilities are recognised when the company becomes party to the contractual provisions of the financial instrument. The company holds both basic and complex financial instruments, which comprise cash and cash equivalents, trade and other receivables, equity investments, derivative financial instruments, trade and other payables, convertible loan notes and borrowings. The company has chosen to apply the provisions of section 11 Basic Financial Instruments and section 12 Other Financial Instruments in full.

Financial assets – classified as basic financial instruments

##### (i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held with banks and other short term highly liquid investments with original maturities of three months or less.

## Citynet Insurance Brokers Limited

### Notes to the Financial Statements for the year ended 29 February 2016 (*continued*)

#### 2. Basis of Preparation (*continued*)

##### (ii) Trade and other receivables

Trade and other receivables are initially recognised at the transaction price, including any transaction costs, and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

At the end of each reporting period the company assess whether there is objective evidence that any receivable amount may be impaired. A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the assets carrying amount and the present

value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised immediately in profit or loss.

Financial liabilities – classified as basic financial instruments

##### (iii) Trade and other payables and loans and borrowings

Trade and other payables and loans and borrowings are initially measured at the transaction price, including any transaction costs, and subsequently measured at amortised cost using the effective interest method. Amounts that are payable within one year are measured at the undiscounted amount of the cash expected to be paid.

##### (iv) Derivative financial instruments

The company uses derivative financial instruments to reduce exposure to foreign exchange risk arising in relation to foreign denominated loans. The company does not hold or issue derivative financial instruments for speculative purposes. Derivative financial instruments are initially recognised at fair value at the date the derivative contract is entered into and are subsequently measured at fair value at each reporting date. The resulting gain or loss is recognised in profit or loss. The company doesn't apply hedge accounting in accordance with section 12.

#### 3. Critical accounting judgements and key sources of estimation uncertainty

In applying the Company's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The critical judgements that the directors have made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below.



**Citynet Insurance Brokers Limited**

**Notes to the Financial Statements for the year ended 29 February 2016 (continued)**

**3. Critical accounting judgements and key sources of estimation uncertainty (continued)**

(i) Assessing indicators of impairment

In assessing whether there have been any indicators of impairment assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. There have been no indicators of impairments identified during the current financial year.

**Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Recoverability of receivables

The company establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability the directors consider factors such as the aging of the receivables, past experience of recoverability, and the credit profile of individual or groups of customers.

**4. Turnover**

	<u>2016</u> £	<u>2015</u> £
UK	3,337,885	2,768,613
Europe	2,928,265	2,445,834
Rest of the World	47,539	51,456
	<u>6,313,689</u>	<u>5,265,903</u>

All turnover arose from brokerage and fees.

**5. Operating profit is stated after charging:**

	<u>2016</u> £	<u>2015</u> £
Depreciation on tangible fixed assets	64,823	49,248
Auditors remuneration (audit services only)	22,676	22,380
Auditors remuneration (non audit services)	17,602	8,594
Operating lease rentals - land and buildings	78,766	52,152
Rate of exchange loss	17,749	83,571
	<u>177,616</u>	<u>215,945</u>

## Citynet Insurance Brokers Limited

## Notes to the Financial Statements for the year ended 29 February 2016 (continued)

## 6. Interest Receivable &amp; Other income

	<u>2016</u> £	<u>2015</u> £
Interest - bank accounts	2,852	3,700
Other income	20,490	20,484
	<u>23,342</u>	<u>24,184</u>

## 7. Staff Costs

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

	<u>2016</u> Number	<u>2015</u> Number
Technical / Broking	38	26
Administration / Claims	15	14
	<u>53</u>	<u>40</u>

Staff costs, including directors were as follows:

	<u>2016</u> £	<u>2015</u> £
Wages and salaries	3,249,459	2,595,751
Social security costs	363,787	303,421
Other pension costs	183,815	165,610
	<u>3,797,061</u>	<u>3,064,782</u>

## 8. Directors Remuneration and their Interests

	<u>2016</u> £	<u>2015</u> £
Directors emoluments	882,000	813,700
Directors' fees	15,690	10,000
Pension costs	91,700	76,991
	<u>989,390</u>	<u>900,691</u>

The number of directors to whom pension benefits are accruing under the company's money purchase scheme is 8 (2015: 8), and under individual pension arrangements is 1 (2015: 1).

## Citynet Insurance Brokers Limited

Notes to the Financial Statements for the year ended 29 February 2016 (*continued*)8. Directors Remuneration and their Interests (*continued*)

	<u>2016</u> £	<u>2015</u> £
Highest paid director:		
Emoluments	115,000	118,987
Pension costs	20,000	19,992
	<u>          </u>	<u>          </u>

## 9. Taxation

	<u>2016</u> £	<u>2015</u> £
<i>Current tax</i>		
UK Corporation tax	244,808	293,747
Total current tax	<u>244,808</u>	<u>293,747</u>
Overprovision of tax in prior years	(45,990)	-
Total tax charge on profit on ordinary activities	<u>198,818</u>	<u>293,747</u>

The rate of tax for the year based on the UK standard rate of corporation tax is 20% before marginal relief (2015: 21%).

The actual tax charge for the current year and the previous year differs from the standard companies' rate for the reasons set out in the following reconciliation.

	<u>2016</u> £	<u>2015</u> £
Profit on ordinary activities before tax	<u>1,148,256</u>	<u>1,347,127</u>
Corporation Tax at UK standard rate 20% (2015: 21%)	229,651	282,896
Difference due to movement in Tax rate	2,289	3,107
Overprovision in prior years	(45,990)	-
Marginal relief	(60)	(324)
Expenses not deductible for tax purposes	27,039	19,274
Capital allowances in excess of depreciation	(14,111)	(11,206)
	<u>          </u>	<u>          </u>
Actual current tax charge for the year	<u>198,818</u>	<u>293,747</u>

No deferred taxation has been provided on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, as the amounts are immaterial.

During the year the UK corporation tax rate was changed from 21% to 20% effective from 1 April 2015. A reduction in the UK corporation tax rate from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020 was substantively enacted in October 2015.

## Citynet Insurance Brokers Limited

## Notes to the Financial Statements for the year ended 29 February 2016 (continued)

## 10. Tangible Fixed Assets

	<u>Plant and Equipment</u> £
Cost	
At 1 March 2015	326,232
Additions	139,766
Disposals	(104,972)
	<hr/>
At 29 February 2016	361,026
	<hr/>
Depreciation	
At 1 March 2015	195,181
Charge for the year	64,823
Disposals	(22,656)
	<hr/>
At 29 February 2016	237,348
	<hr/>
Net book value	
At 29 February 2016	123,678
	<hr/>
At 28 February 2015	131,051
	<hr/>

## 11. Dividends

	<u>2016</u> £	<u>2015</u> £
Dividends of 4.76p per Ordinary Shares (2015: 2.95p)	1,004,196	621,704
	<hr/>	<hr/>
	1,004,196	621,704
	<hr/>	<hr/>

## 12. Debtors

	<u>2016</u> £	<u>2015</u> £
Amounts due within one year		
Insurance debtors	11,537,090	8,540,882
Provision for bad debts	(92,788)	(83,581)
Other debtors	203,939	92,403
Prepayments and accrued income	79,926	101,729
Amounts owed by group undertakings	630,000	630,000
	<hr/>	<hr/>
	12,358,167	9,281,433
	<hr/>	<hr/>



## Citynet Insurance Brokers Limited

## Notes to the Financial Statements for the year ended 29 February 2016 (continued)

## 12. Debtors (continued)

Included in other debtors is a rent deposit of £20,577 (2015: £20,577) which is covered by a Rent Deposit Deed dated 6 September 2012 created by the company securing all monies due or to become due to the City of London in respect of 108 Fenchurch Street, London EC3M 5JR.

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Included in other debtors is a loan to Profile Risk Solutions of £50,000 (2015: £Nil) which is covered by a loan agreement and has 0.75% annual interest charged.

Also included in other debtors are interest free season ticket loans to Directors as follows:

	Amounts due on 29 February 2016	Amounts due on 28 February 2015	Maximum amount outstanding during the year
D Walland	1,677	1,638	2,236
G.T. Kinsella	2,240	2,187	2,907
A.M Reason	8,059	4,022	8,428
A.M Purves	3,181	3,104	4,241
S Charman	5,077	4,953	6,587
R Seeley	3,087	3,057	3,704
T Hicks	834	801	2,709
A Walsh	2,776	2,950	3,966

## 13. Cash at Bank and in Hand

	2016 £	2015 £
Bank balances – NST Client Money Accounts	3,376,233	3,268,932
Bank balances – MJC Client Money Accounts	34,741	208,739
Bank Balances – Risk Client Money Accounts	4,170	21,786
Total Client Money Bank Balances	3,415,144	3,499,457
Bank balances - Office	1,164,711	1,067,053
	4,579,855	4,566,510

## Citynet Insurance Brokers Limited

## Notes to the Financial Statements for the year ended 29 February 2016 (continued)

## 14. Creditors: amounts falling due within one year

	<u>2016</u>	<u>2015</u>
	£	£
Insurance creditors	13,733,408	11,004,072
Corporation tax	191,625	293,747
Other taxes and social security costs	121,224	160,977
Accruals	881,408	540,999
Other creditors	174,441	122,846
Financing loan	-	83,333
Finance lease	-	4,012
	<hr/>	<hr/>
	15,102,106	12,209,986
	<hr/>	<hr/>

Included in accounts payable are amounts owing to Directors in respect of Business Expenses as follows:

	Amounts due on 29 February <u>2016</u>	Amounts due on 28 February <u>2015</u>
	£	£
R J Scott	143	143
G T Kinsella	162	280
D Walland	39	48
A Reason	132	-
R J Seeley	115	261
	<hr/>	<hr/>

## 15. Creditors: amounts falling due after more than one year

	<u>2016</u>	<u>2015</u>
	£	£
Finance lease	-	4,656
	<hr/>	<hr/>
	-	4,656
	<hr/>	<hr/>

## Citynet Insurance Brokers Limited

Notes to the Financial Statements for the year ended 29 February 2016 (*continued*)

## 16. Financial Instruments

	<u>2016</u> £	<u>2015</u> £
Financial assets that are debt instruments measured at amortised cost;		
Trade Debtors	12,122,036	9,124,935
Other Debtors	203,939	92,403
Cash at Bank and in hand	4,579,855	4,566,510
	<u>16,905,830</u>	<u>13,783,848</u>
Financial liabilities measured at fair value through profit and loss;		
Forward foreign currency contracts	21,891	-
	<u>21,891</u>	<u>-</u>
Total financial liabilities held at fair value through SOCI	<u>21,891</u>	<u>-</u>
Financial liabilities measured at amortised cost;		
Bank overdraft	-	-
Bank loans	-	83,333
Finance leases & hire purchase contracts	-	8,668
Trade creditors	14,327,187	12,122,641
	<u>14,327,187</u>	<u>12,214,642</u>
Total financial liabilities held at amortised cost	<u>14,327,187</u>	<u>12,214,642</u>

**Derivative financial instruments – forward contracts**

The company enters into foreign currency contracts to mitigate the exchange rate risk for certain foreign currency debtors. At 29 February 2016, the outstanding contract matures within 13 months (2015: Nil) of the year end. The company is committed to sell €490,000 and receive a fixed sterling amount. (2015: Nil). At year end these gave a fair value liability of £21,891 (2015: Nil).

The forward currency contracts are measured at fair value using quoted forward exchange rates.

## 17. Provision for Liabilities

	<u>2016</u> £	<u>2015</u> £
Balance at 1 March 2015	-	-
Provision made during the year	250,000	-
Utilised during the year	-	-
	<u>250,000</u>	<u>-</u>
Balance at 29 February 2016	250,000	-

The provision for £250,000 represents the Directors best estimate of the present value of the possible cost to the company of a pending arbitration hearing regarding a failed installation of a computer system that was contracted by the company.

The expected timing of the economic outflow is within 1 year.

## Citynet Insurance Brokers Limited

## Notes to the Financial Statements for the year ended 29 February 2016 (continued)

## 18. Insurance balances

The directors consider the disclosure of insurance broking assets and liabilities within the financial statements to be informative and accordingly provide the following information:

	<u>2016</u> £	<u>2015</u> £
Insurance debtors	11,537,090	8,540,882
Insurance bank accounts	3,415,144	3,499,456
	<u>14,952,234</u>	<u>12,040,388</u>
Insurance creditors	(13,733,408)	(11,004,072)
Surplus	<u>1,218,826</u>	<u>1,036,316</u>

## 19. Share Capital

	<u>2016</u> £	<u>2015</u> £
Authorised 1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, issued and fully paid 210,527 ordinary shares of £1 each	<u>210,527</u>	<u>210,527</u>

The ordinary shares carry one voting right per share and no right to fixed income.

## 20. Profit and Loss account

The profit and loss reserve includes all current and prior year retained profit and losses.

## 21. Capital Redemption Reserve

The capital redemption reserves comprises of consideration paid on pay back of shares.

## 22. Operating Leases

The company has the following annual lease commitments on its accommodation, which expires 1 March 2019:

Land and buildings	<u>2016</u> £	<u>2015</u> £
Between one and two years	<u>347,088</u>	<u>69,731</u>



## Citynet Insurance Brokers Limited

### Notes to the Financial Statements for the year ended 29 February 2016 (continued)

#### 23. Pension Commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held in independently administered funds. The pension charge represents contributions payable by the Company to the fund and amounted to £183,815 (2015: £165,610). The contributions outstanding at the year end amounted to £Nil (2015: £Nil).

#### 24. Financial Commitments

In accordance with the Company's foreign exchange policy there were NZ \$1,405 of open forward contracts for sale to Sterling at the year end and open forward contracts to purchase £360,294 from Euro at the year end as set out below.

Financial year ending	Amount	Average committed rate	Contracted value	Fair value
29 February 2016	NZ\$ 1,405	2.1189	£663	£2
29 February 2016	€ 490,000	1.36	£360,294	£21,891

#### 26. Related Party Disclosures

##### MJC Underwriting Agency Limited

In April 2011 MJC Underwriting Agency Limited ("MJC") was established with 37.5% of the equity currently held by Citynet Shareholders, MJC continued to be an appointed representative of Citynet until 31 August 2016, and is authorised by the Financial Conduct Authority for Insurance Mediation.

During the year £19,740 (2015: £19,740) was charged to MJC in respect of providing the following services;

Handling Client Money  
Accounts Payable Services  
Bordereaux checking & Processing  
Placing and settling business to Insurers  
Set up of Binding Authorities and Terms of Business Agreements.

MJC clients paid net premium of £2,063,941 (2015: £2,051,223) and €5,817 (2015: €66,797) to Citynet up to 29 February 2016, which Citynet pays the premium to Insurers and commission to MJC. Citynet paid expenses of £1,958 (2015: £1,146) on behalf of MJC of which £Nil (2015: £Nil) was outstanding to Citynet at the end of the year.

##### Faversham Underwriting Limited

In June 2014 Faversham Underwriting Limited ("Faversham") was established with 25% of the equity currently held by Citynet Shareholders.

During the year Citynet paid expenses of £1,171 (2015: £34,007) on behalf of Faversham of which £1,171 (2015: £14,650) was outstanding to Citynet at the end of the year.

**Citynet Insurance Brokers Limited**

**Notes to the Financial Statements for the year ended 29 February 2016 (continued)**

**26. Related Party Disclosures (continued)**

**Citynet London Holdings Limited**

Three of Citynet's Directors, Richard Scott, Gerard Kinsella and David Walland have provided personal guarantees for a total of 33.33% of the outstanding balance of the financing loan provided to Citynet Insurance Brokers Limited by Barclays Bank PLC. These guarantees are in proportion to their shareholding in the parent company.

A loan of £280,000 was made on the 14 November 2012 and £175,000 on the 31 May 2013 and £175,000 on the 30 May 2014 from Citynet Insurance Brokers Ltd to Citynet London Holdings Limited and remains outstanding at the end of the year. No interest is charged on this loan. The loan is repayable on demand.

**27. Parent Undertaking and Controlling Party**

Citynet London Holdings Limited is the ultimate parent undertaking, Citynet London Holdings Limited is registered in England and Wales.

Richard Scott is the controlling party by virtue of his shareholding in the ultimate parent undertaking.

## Citynet Insurance Brokers Limited

## Notes to the Financial Statements for the year ended 29 February 2016 (continued)

## 28. Transition to FRS 102

This is the first financial year that the Company has presented its financial statements in accordance with FRS 102 'The Financial Reporting Framework Applicable in the UK and Republic of Ireland' ("FRS 102"). For financial years up to and including the year ending 28 February 2015, the Company prepared its financial statements in accordance with old UK GAAP.

The Company's date of transition to FRS 102 is therefore 1 March 2014. This note sets out the changes to accounting policies and the transitional adjustments that are required to be made for first-time transition to FRS 102. The Company's opening equity position as at the 1 March 2014 and its previously published financial statements for the year ended 28 February 2015 have been restated from old UK GAAP.

## Reconciliation of equity at 1 March 2015 – date of transition to FRS 102

	Note	UK GAAP (as previously Reported) £	Effect of transition to FRS 102 £	FRS 102 (as restated) £
<b>Fixed Assets</b>				
Tangible Assets		131,051	-	131,051
<b>Current Assets</b>				
Trade & other Receivables		9,281,433	-	9,281,433
Cash & cash Equivalents		4,566,510	-	4,566,510
<b>Current Liabilities</b>				
Trade and other Payables	(a)	11,887,745	234,896	12,122,641
Loans and borrowings		87,345	-	87,345
Net current Assets		1,872,853	(234,896)	1,637,957
Total Assets less current liabilities		2,003,904	(234,896)	1,769,008
<b>Non-Current Liabilities</b>				
Loans and borrowings		4,656	-	4,656
Provisions for liabilities		-	-	-
Net assets		1,999,248	(234,896)	1,764,352
<b>Capital and reserves</b>				
Share capital		210,527	-	210,527
Retained earnings	(a)	1,782,471	(234,896)	1,547,575
Capital Redemption Reserve		6,250	-	6,250
Shareholders equity		1,999,248	(234,896)	1,764,352

## Citynet Insurance Brokers Limited

## Notes to the Financial Statements for the year ended 29 February 2016 (continued)

## 28. Transition to FRS 102 (continued)

## Reconciliation of equity at 1 March 2014 – date of transition to FRS 102

	Note	UK GAAP (as previously Reported) £	Effect of transition to FRS 102 £	FRS 102 (as restated) £
<b>Fixed Assets</b>				
Tangible Assets		101,728	-	101,728
<b>Current Assets</b>				
Trade & other Receivables		6,758,038	-	6,758,038
Cash & cash Equivalents		4,052,424	-	4,052,424
<b>Current Liabilities</b>				
Trade and other Payables	(a)	9,148,285	180,493	9,328,778
Loans and borrowings		104,012	-	104,012
Net current Assets		1,558,165	(180,493)	1,377,672
Total Assets less current liabilities		1,659,893	(180,493)	1,479,400
<b>Non-Current Liabilities</b>				
Loans and borrowings		92,321	-	92,321
Provisions for liabilities		-	-	-
Net assets		1,567,572	(180,493)	1,387,079
<b>Capital and reserves</b>				
Share capital		210,527	-	210,527
Retained earnings	(a)	1,350,795	(180,493)	1,170,302
Capital Redemption Reserve		6,250	-	6,250
Shareholders equity		1,567,572	(180,493)	1,387,079



## Citynet Insurance Brokers Limited

Notes to the Financial Statements for the year ended 29 February 2016 *(continued)*28. Transition to FRS 102 *(continued)*

## Reconciliation of profit or loss for the year ended 28 February 2015

	Note	UK GAAP (as previously Reported) £	Effect of transition to FRS 102 £	FRS 102 (as restated) £
Turnover		5,265,903	-	5,265,903
Administrative expenses (a)		(3,942,960)	54,403	(3,997,363)
Operating Profit before Interest & Tax		1,322,943	(54,403)	1,268,540
Interest Receivable and Other Income		24,184	-	24,184
Profit on ordinary Activities Before Taxation		1,347,127	(54,403)	1,292,724
Tax on Profit on ordinary Activities		(293,747)	-	(293,747)
Profit on ordinary activities After taxation		1,053,380	(54,403)	998,977
Other comprehensive Income		-	-	-
Total comprehensive income for the year		1,053,380	-	998,977

## Note (a) Holiday pay accrual

This transitional adjustment relates to the recognition of a holiday pay accrual for accumulated short term compensated absences.

This adjustment has resulted in the recognition of an accrual of £180,493 at 1 March 2014 and £234,896 at 28 February 2015.

The adjustment has also resulted in a decrease to the profit and loss reserve position as at 28 February 2015 of £234,896, with a consequential profit or loss movement during the year ending 28 February 2015 of £54,403 recognised within administrative expenses.