

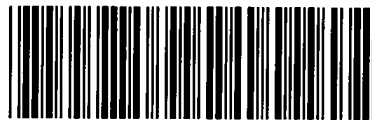
Registration number: 02696420

# Morgan Law Limited

Annual Report and Financial Statements

for the Period from 31 December 2016 to 31 December 2017

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# **Morgan Law Limited**

## **Company Information**

<b>Directors</b>	D C Ross A Erotocritou RL Worrell
<b>Company secretary</b>	G C Gouriet
<b>Registered office</b>	Towergate House Eclipse Park Sittingbourne Road Maidstone Kent ME14 3EN
<b>Auditor</b>	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL

## **Morgan Law Limited**

### **Strategic Report for the Period from 31 December 2016 to 31 December 2017**

The directors present their strategic report for the period from 31 December 2016 to 31 December 2017 for Morgan Law Limited ("the Company"). The strategic report provides a review of the business for the financial period and describes how the directors manage risks. The report outlines the developments and performance of the Company during the financial period, the position at the end of the period and discusses the main trends and factors that could affect the future. The Company is part of The Ardonagh Group Limited ("the Group").

#### **Principal activities and business review**

The principal activity of the Company is the provision of insurance services, with a focus on the provision of construction and property insurance.

The results for the Company show turnover of £2,366,350 (2016: £2,361,582) and profit before tax of £407,674 (2016: £497,962) for the period. At 31 December 2017 the Company had net assets of £4,425,393 (2016: £4,103,588). The going concern note (part of accounting policies) on page 14 sets out the reasons why the directors continue to believe that the preparation of the financial statements on the going concern basis is appropriate.

#### **Business strategy and objectives**

The Company continues to emphasise the fundamental importance of putting customers first. The Company has developed policies and processes with the aim of treating every customer fairly and consistently. This includes endeavouring to provide them with the best products, advice and service, which can build loyalty and advocacy, which in turn will strengthen reputation and support profits. Serving customers well involves dealing with complaints promptly and effectively, having high standards around underwriting and pricing, and taking a customer-focused approach to sales and marketing. The development of a strong customer base assists in developing income growth which is another objective of the business. The Company aims to both increase retention rates and attract new customers.

The Company also aspires to create a high performance culture, creating excellent customer service through highly engaged employees. The Company aims to attract, develop and promote the best talent and to create a supportive environment in which every employee continuously learns and develops. The Company's culture and competitive remuneration packages enable it to attract and retain key staff. This will also be achieved by creating a shared understanding of the Company's strategic goals and objectives, building the capability of managers and leaders to manage performance and by every employee having the knowledge, skill and capability to perform their role.

#### **Outlook**

The directors do not expect there to be any changes in the nature of the business in 2018.

## Morgan Law Limited

### Strategic Report for the Period from 31 December 2016 to 31 December 2017

#### Key performance indicators

The company's key financial and other performance indicators during the period were as follows:

	Unit	2017	2016
Gross written premium (GWP)	£m	10.6	10.4
Turnover	£m	2.4	2.4
Administration expenses	£m	2.0	1.9
Turnover/GWP	%	22.7	23.1
Administrative expenses/turnover	%	83.3	79.2

Non-financial key performance indicators include staffing levels which have increased by 4.8% "( albeit only by one extra head)" throughout the period as part of the Group restructuring. The Company actively encourages all employees to become involved in Group affairs and is also keen to encourage two way communications on relevant business issues. This is achieved through regular employee meetings and presentations by senior management and is supported by a Group wide communication plan. Further discussions on employee matters can be found in the directors' report.

#### Risk management

The Company has a comprehensive strategy for the identification, mitigation and management of risk. A wide ranging assessment of business risks has been undertaken resulting in the compilation of a risk register. The risk register is subject to discussion at regular Group Risk Management Committee meetings and the Company's ongoing risk management ensures there is appropriate reporting from the business which will highlight changes in risk profile to the Group Risk Management Committee. The risks are managed and monitored to be within the agreed risk appetite. If a risk exceeds appetite, management actions will be put in place to bring it within appetite.

The principal risks and their mitigation are as follows:

##### *Strategic and commercial risk*

There are risks of changes to the competitive and economic environment. This is mitigated by a robust strategy and planning process, regular monitoring of economic and competitive environment and diversification of product lines and channels.

##### *Operational risk*

There is the risk of losses arising from inadequate or failed internal processes or systems, from personnel and / or from external events. The Company is committed to undertaking a series of activities that are linked to the Group's transformation strategy. These activities are targeted at driving operational effectiveness, cost synergies, and better management of operational risks and have involved substantial investment in systems and technology. In addition, the Company continues to follow the Group's stated strategy of continued development in our people and corporate culture.

The Company's business depends on the ability of employees to process transactions using secure information systems. The capacity to service customers depends on storing, retrieving, processing and managing information. Interruption or loss of information processing capabilities through loss of stored data, the failure of computer equipment or software systems, a telecommunications failure or other disruption could have a material adverse effect on business, results of operations and financial condition. To mitigate these risks the Company has certain disaster recovery procedures in place and insurance to protect against such contingencies.

##### *Financial risk*

There is the risk of adverse impact on business value or earning capacity as well as risk of inadequate cash flow to meet financial obligations. This risk is mitigated by proactive management of the business plan, regular monitoring of cash flows against risk appetite and a focus on debt collection.

## Morgan Law Limited

### Strategic Report for the Period from 31 December 2016 to 31 December 2017

#### *Regulatory and legal risk*

This is the risk of regulatory sanctions, material financial loss or loss to reputation suffered as a result of non compliance with laws, regulations and applicable administrative provisions. This risk is mitigated by a proactive relationship with the Financial Conduct Authority, a dedicated compliance function, and a compliance monitoring programme. Furthermore, there is a control framework that has been rolled out and embedded within the culture throughout the Company to reduce the risk of errors and non compliance.

#### *General Data Protection Regulation*

Our computer systems store information about our customers, some of which is sensitive personal data. Database privacy, identity theft and computer & internet related issues are matters of growing public concern and are subject to changes in rules and regulations. Our failure to adhere to or successfully implement processes in response to changing regulatory requirements in this area could result in legal liability or harm to our reputation. Although we have taken reasonable and appropriate security measures to prevent unauthorised access to information stored in our database and to ensure that our processing of personal data complies with the relevant data protection regulations, our technology may fail to adequately secure the private information we maintain in our databases and protect it from theft or inadvertent loss.

#### *Volatility in premiums and insurance market cycle*

The Company derives most of its revenue from commissions and fees for broking services. Its commissions are generally based on insurance premiums, which are cyclical in nature and may vary widely based on market conditions. A significant reduction in commissions, along with general volatility or declines in premiums, could have a material adverse effect on the results of operations and the Company's financial condition. This risk is mitigated by ensuring that the Company has a range of products and by diversifying its portfolio. This should reduce the effect of a cycle on one specific class of business.

#### *Future impact of Brexit*

As a business that operates predominantly in the United Kingdom (UK) the Company is affected by economic conditions in the UK and the associated possibility of decline in business and customer confidence. This risk has been exacerbated by the uncertainties surrounding the UK's decision to leave the European Union ("Brexit"). Our typical small to medium-sized business (SME) customers and individual consumers may be more vulnerable to any economic downturn than larger commercial customers, reducing or delaying insurance purchases or making premium payments.

The Brexit decision could lead to the UK leaving the single market for goods and services and the ability of businesses to passport between the UK and other EU states. The direct impact on the Company will not be significant because it currently conducts little business outside the UK, although there may be some effects on the insurance markets into which we place business.

Approved by the Board on 11 September 2018 and signed on its behalf by:



A Erotocritou  
Director

## **Morgan Law Limited**

### **Directors' Report for the Period from 31 December 2016 to 31 December 2017**

The directors present their report and the financial statements for the period from 31 December 2016 to 31 December 2017.

#### **Directors' of the company**

The directors, who held office during the period, were as follows:

D C Ross

A Erotocritou (appointed 15 March 2017)

The following director was appointed after the period end:

RL Worrell (appointed 21 May 2018)

#### **Dividends**

The directors do not recommend a final dividend payment to be made in respect of the financial period ended 31 December 2017 (2016: £Nil).

#### **Financial risk management objectives and policies**

Details of financial risk management objectives and policies can be found in the strategic report within the 'Risk management' section on page 3.

#### **Future developments**

Details of future developments can be found in the strategic report within the 'Outlook' section on page 2.

#### **Political donations**

The Company has not made any political donations during the period (2016: £Nil).

#### **Employment of disabled persons**

The Company's policy is to recruit disabled workers for those vacancies that they have the appropriate skills and technical ability to perform. Once employed, a career plan is developed to ensure that suitable opportunities exist for each disabled person. Employees who become disabled during their working life will be retrained if necessary and wherever possible will be given help with any necessary rehabilitation and training. The Company is prepared to modify procedures or equipment, wherever practicable, so that full use can be made of an individual's abilities.

#### **Employee involvement**

Employees are key to the Company's success, so an appropriate remuneration package is offered which rewards an individual's performance and contribution to the organisation. The Company is also keen to encourage individual's personal development to ensure that they have the skills required to undertake their role. The Company places considerable value on the involvement of its employees and continues to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company and the Group as a whole. This is achieved by formal and informal meetings, circulation of the Company magazine and by encouraging employees to take part in regular employee engagement surveys.

## **Morgan Law Limited**

### **Directors' Report for the Period from 31 December 2016 to 31 December 2017**

#### **Going concern**

The Company's business activities, together with the factors likely to affect its future development are described in the strategic report on page 2. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the next 12 months. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Further details of this assessment can be found in note 2 to these financial statements.

#### **Directors' liabilities**

All directors benefit from qualifying third party indemnity provisions, subject to the conditions set out in the Companies Act 2006, in place during the financial period and at the date of this report.

#### **Disclosure of information to the auditors**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

#### **Reappointment of auditor**

At The Ardonagh Group Limited's Board meeting last year KPMG LLP were reappointed as the Group's statutory auditors. During the period, a formal tender process took place, led by The Ardonagh Group Limited Audit Committee.

As a result of this tender process the Audit Committee recommended, and The Ardonagh Group Limited Board approved on behalf of the Company, the proposed appointment of Deloitte LLP as external auditor for the financial year ending 31 December 2018. The appointment of Deloitte LLP is subject to finalisation of terms of engagement and KPMG LLP's completion of the audit for the period ended 31 December 2017 and resignation as auditor.

Approved by the Board on 11 September 2018 and signed on its behalf by:



.....  
A Erotocritou  
Director

Towergate House  
Eclipse Park  
Sittingbourne Road  
Maidstone  
Kent  
ME14 3EN



## **Morgan Law Limited**

### **Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements**

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*

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 apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **Independent Auditor's Report to the Members of Morgan Law Limited**

### **Opinion**

We have audited the financial statements of Morgan Law Limited ("the Company") for the period from 31 December 2016 to 31 December 2017, which comprise the Statement of Financial Position, Statement of Comprehensive Income and Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

## **Independent Auditor's Report to the Members of Morgan Law Limited**

### **Directors' responsibilities**

As explained more fully in the their 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; 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; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

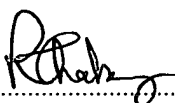
### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities for the audit of the financial statements is located on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



.....  
**Rajan Thakrar (Senior Statutory Auditor)**  
**For and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
Canary Wharf  
London  
E14 5GL

11 September 2018

# Morgan Law Limited

## Statement of Comprehensive Income for the Period from 31 December 2016 to 31 December 2017

		31 December 2016 to 31 December 2017	31 December 2015 to 30 December 2016
	Note	£	£
<b>Turnover</b>	4	2,366,350	2,361,582
Administrative expenses		(1,963,059)	(1,847,462)
Profit / (loss) on disposal of assets		<u>11,696</u>	<u>(4,858)</u>
<b>Operating profit</b>	5	414,987	509,262
Finance costs	6	<u>(7,313)</u>	<u>(11,300)</u>
<b>Profit before tax</b>		407,674	497,962
Income tax (expense)/credit	9	<u>(85,869)</u>	<u>163,906</u>
<b>Total comprehensive profit for the period</b>		<u><u>321,805</u></u>	<u><u>661,868</u></u>

The above results were derived from continuing operations.


# Morgan Law Limited

(Registration number: 02696420)

## Statement of Financial Position as at 31 December 2017

	Note	31 December 2017 £	30 December 2016 £
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	28,376	60,859
Intangible assets	11	334,033	334,033
Other non-current financial assets	12	1	1
Deferred tax assets	9	47,070	47,410
		<u>409,480</u>	<u>442,303</u>
<b>Current assets</b>			
Trade and other receivables	13	10,388,719	8,344,880
Cash and cash equivalents	14	1,476,683	1,764,295
Other current financial assets	12	-	140,204
		<u>11,865,402</u>	<u>10,249,379</u>
<b>Total assets</b>		<u><u>12,274,882</u></u>	<u><u>10,691,682</u></u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Called up share capital	16	601,000	601,000
Retained earnings		<u>3,824,393</u>	<u>3,502,588</u>
		<u>4,425,393</u>	<u>4,103,588</u>
<b>Non-current liabilities</b>			
Loans and borrowings	15	-	25,996
Provisions	20	<u>38,881</u>	<u>34,519</u>
		<u>38,881</u>	<u>60,515</u>
<b>Current liabilities</b>			
Trade and other payables	19	7,698,780	6,389,100
Loans and borrowings	15	25,227	22,231
Income tax liability	9	<u>86,601</u>	<u>116,248</u>
		<u>7,810,608</u>	<u>6,527,579</u>
<b>Total liabilities</b>		<u><u>7,849,489</u></u>	<u><u>6,588,094</u></u>
<b>Total equity and liabilities</b>		<u><u>12,274,882</u></u>	<u><u>10,691,682</u></u>

Approved by the Board on 11 September 2018 and signed on its behalf by:



A Erotocritou

Director

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

# Morgan Law Limited

## Statement of Changes in Equity for the Period from 31 December 2016 to 31 December 2017

	Share capital £	Retained earnings £	Total £
At 31 December 2016	601,000	3,502,588	4,103,588
Total comprehensive profit for the period	-	321,805	321,805
At 31 December 2017	601,000	3,824,393	4,425,393

	Share capital £	Retained earnings £	Total £
At 31 December 2015	601,000	2,840,720	3,441,720
Total comprehensive profit for the year	-	661,868	661,868
At 30 December 2016	601,000	3,502,588	4,103,588

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

## **Morgan Law Limited**

### **Notes to the Financial Statements for the Period from 31 December 2016 to 31 December 2017**

#### **1 Authorisation of financial statements**

The Company is a private company limited by share capital incorporated and domiciled in the United Kingdom.

These financial statements for the period ended 31 December 2017 were authorised by the Board on 11 September 2018 and the statement of financial position was signed on the Board's behalf by A Erotocritou.

#### **2 Accounting policies**

##### **Basis of preparation**

These financial statements were prepared in accordance with FRS101 'Reduced Disclosure Framework'.

These financial statements have been prepared on a historical cost basis. The financial statements are presented in GBP sterling (£), which is also the Company's functional currency.

##### **Summary of disclosure exemptions**

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has taken advantage of the following disclosure exemptions under FRS 101 where relevant:

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures and of paragraphs 91-99 of IFRS 13 Fair Value Measurement apart from those which are relevant for the financial statements which are held at fair value not held as part of a trading portfolio;
- (b) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to provide comparative period reconciliations in respect of outstanding shares, property, plant & equipment and intangible assets;
- (c) the requirements in paragraph 10(d) and 111 of IAS 1 Presentation of Financial Statements to prepare a Cash flow statement and the requirements in IAS 7 Statement of Cash Flows regarding the same;
- (d) the requirements in paragraph 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements, which includes the need to provide details on capital management;
- (e) the requirements of paragraphs 30 and 31 in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors regarding disclosure of new IFRS standards not yet effective at the reporting date and their potential impact;
- (f) the requirements in paragraphs 17 and 18A of IAS 24 Related Party Disclosures around the need to disclose information on key management personnel and details on related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member;
- (g) the requirements of paragraphs 134(d) - 134(f) and 135(c) - 135(e) of IAS 36 Impairment of Assets in respect of disclosure of assumptions on which projections used in the impairment review are based and sensitivity analysis.

Equivalent disclosures are included in the Group's consolidated financial statements as required by FRS 101 where exemptions have been applied.

## **Morgan Law Limited**

### **Notes to the Financial Statements for the Period from 31 December 2016 to 31 December 2017**

#### **2 Accounting policies (continued)**

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the Critical accounting policies and estimates disclosure on page 21.

#### **Going Concern**

The financial statements of the Company have been prepared on a going concern basis. At 31 December 2017 the Company had net assets of £4,425,393 (2016: £4,103,588) and net current assets of £4,054,796 (2016: £3,721,802). The net current assets include amounts receivable from related parties of £10,110,552 (2016: £8,107,194), and amounts due to related parties of £6,281,916 (2016: £4,801,453). The Company was one of a number of group companies who at 31 December 2017 guaranteed bank and bond debt owed by Ardonagh Midco 3 Plc, an immediate holding company in the group.

The Directors believe the going concern basis to be appropriate following their assessment of the Company's financial position and its ability to meet its obligations as and when they fall due. In reaching their view on the preparation of the Company's financial statements on a going concern basis, the Directors have considered the going concern position of the Company and the Group and its ability to meet its obligations as and when they fall due. This assessment of the Group's position included:

- The current capital structure and liquidity of the Group and its base case and stressed cash flow forecasts over the calendar years 2018 and 2019.
- The principal risks facing the Group and its systems of risk management and internal control.

In June 2018 the Group issued a further £98.3m of 8.375% senior secured notes of which £45.0m was used to fully repay outstanding borrowings under the Group's Revolving Credit Facility.

Key assumptions made in the base case are that the Group:

- Invest to complete the major business transformation projects involving the finance function and broker systems consolidation and achieves the projected synergies.
- Continues to benefit from the revolving credit facility which was undrawn at 30 June 2018.
- Commences settlement of Enhanced Transfer Value (ETV) pension redress payments payable by its Towergate Financial subsidiary businesses in the third quarter of 2018 and completes the redress exercise over a 24-month period.

Key stress scenarios the Directors have considered are:

- A shortfall in base case projected operating cash flows due to adverse economic conditions, project over-spend and project delays.
- Other potential cashflow reductions through contract buy-outs and Towergate legacy issues.
- Deterioration in the quantum and acceleration of the settlement profile of the ETV liabilities compared to the base case
- Mitigating actions within Management's control such as delaying capital expenditure and reduction in discretionary spend. This action could be utilised if trading performance and cash flows are not in line with the reforecast and can be managed by temporary spending deferrals
- Other mitigating factors such as raising additional debt, additional shareholder support, and the potential sale of non-core assets from the Group.



## **Morgan Law Limited**

### **Notes to the Financial Statements for the Period from 31 December 2016 to 31 December 2017**

#### **2 Accounting policies (continued)**

Following their assessment of the Company's and the Group's financial position and ability to continue and its ability to meet its obligations as and when they fall due, the Directors have a reasonable expectation that the Company will be able to continue to operate for at least the next twelve months. Therefore the annual financial statements have been prepared on a going concern basis.

#### **Revenue recognition**

##### *Commission and fees*

Revenue includes commission and fees receivable by the Company. Commission and fees are recognised at later of policy inception date or when the policy placement has been completed and confirmed. To the extent that the Company is contractually obliged to provide services after this date, a suitable proportion of income is deferred and recognised over the life of the relevant contracts to ensure that revenue appropriately reflects the cost of fulfilment of these obligations. The Company also makes a provision for the value of overdue debt existing at the reporting date.

##### *Trading deals and profit commission arrangements*

Profit sharing arrangements, fees for the provision of payment instalment plans and other contingent and non-contingent trading deals with third parties are recognised over the life of the relevant arrangement at a point when they can be measured with reasonable certainty. Trading deal income includes volume based revenue and profit commissions receivable.

#### **Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

## **Morgan Law Limited**

### **Notes to the Financial Statements for the Period from 31 December 2016 to 31 December 2017**

#### **2 Accounting policies (continued)**

##### **Property, plant and equipment**

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the statement of comprehensive income in the period of derecognition.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Where assets under construction projects are incomplete, costs are capitalised as work in progress and included within property, plant and equipment assets. These costs are not subject to depreciation until completion of the project.

##### **Depreciation**

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Fixtures and fittings	15% per annum straight line
Computer hardware	25% per annum straight line
Motor vehicles	25% per annum straight line
Leasehold improvements	Over the remaining life of the lease

## **Morgan Law Limited**

### **Notes to the Financial Statements for the Period from 31 December 2016 to 31 December 2017**

#### **2 Accounting policies (continued)**

##### **Intangible assets**

###### **(a) Goodwill**

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Goodwill is not subject to amortisation but is tested for impairment.

Negative goodwill arising on an acquisition is recognised directly in the statement of comprehensive income. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the statement of comprehensive income on disposal.

##### **Financial assets**

Financial assets are initially measured at fair value plus directly attributable transaction costs. The company's financial assets include cash, trade and other receivables and other non-current financial assets. The subsequent measurement of financial assets depends on their classification.

Trade receivables are recognised initially at fair value and subsequently at amortised cost, less provision for impairment. A provision for impairment of trade receivables 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. Significant financial difficulties of the debtor, dispute, default or delinquency in payments are considered indicators that the receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables.

Held to maturity financial assets are deposits held at banks with a maturity date of greater than three months from the reporting date.

Where the fair value of an available-for-sale asset is not readily available, its fair value is represented by its historical cost less cumulative impairment.

## **Morgan Law Limited**

### **Notes to the Financial Statements for the Period from 31 December 2016 to 31 December 2017**

#### **2 Accounting policies (continued)**

##### **Impairment of non-current assets**

The carrying amounts of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable and at least annually, in the case of goodwill. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units. A cash-generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets.

##### *Calculation of recoverable amount*

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

##### *Reversals of impairment*

An impairment loss is reversed on intangible assets other than goodwill only if subsequent external events reverse the effect of the original event which caused the recognition of the impairment or the loss arose on an intangible asset with a readily ascertainable market value and that market value has increased above the impaired carrying amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

##### **Insurance transactions**

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. In recognition of this relationship, debtors from insurance broking transactions are not included as an asset of the Company. Other than the receivable for fees and commissions earned on a transaction, no recognition of the insurance transactions occurs until the Company 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 Company advances premiums, refunds or claims to insurance underwriters or clients prior to collection. These advances are reflected in the statement of financial position as part of trade receivables.

## **Morgan Law Limited**

### **Notes to the Financial Statements for the Period from 31 December 2016 to 31 December 2017**

#### **2 Accounting policies (continued)**

##### **Provisions**

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

##### **Leases**

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised as non-current assets of the company at the lower of their fair value at the date of commencement of the lease and at the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance costs in the statement of comprehensive income and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability

##### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

## **Morgan Law Limited**

### **Notes to the Financial Statements for the Period from 31 December 2016 to 31 December 2017**

#### **2 Accounting policies (continued)**

##### **Long term incentive plans**

The Company operates a number of Long Term Incentive Plans (LTIPs), under which the Company receives services from employees as consideration for cash settled incentives which vest over a number of years based on achievement against certain performance measures and/or service conditions. The incentives are paid to participants at the end of the relevant performance and/or service period (the 'performance period'), in some instances interim payments are made but in all instances participants must then remain in employment for a further period (the 'clawback period') in order to retain the full value of their pay out.

The Company recognises an expense in respect of LTIPs over the vesting period, which is deemed to commence when the Company makes participants aware of their right to participate in the LTIP and ends on conclusion of the clawback period.

Where an LTIP is payable in instalments the company recognises an expense either based on (i) the staged vesting approach or (ii) the plan's benefit formula, depending on the specific facts and circumstances of the relevant award. Where benefits are materially higher in later years the expense is recognised on a straight-line basis over the vesting period.

At the end of each reporting period the Company revises its estimate of the expected pay out, it recognises the impact of the revision to original estimate, if any, in the statement of comprehensive income with a corresponding adjustment to the related provision (during the performance period) or prepayment (during the clawback period) as relevant.

##### **Defined contribution pension obligation**

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

##### **Financial liabilities**

Financial liabilities are initially classified as financial liabilities at fair value plus directly attributable transaction costs. The Company's financial liabilities include trade and other payables, and loans and borrowings. The subsequent measurement of financial liabilities depends on their classification.

Interest bearing loans and borrowings are initially measured at fair value less directly attributable transaction costs and are subsequently measured using the effective interest method.

##### **Financial guarantees**

Contracts meeting the definition of a financial guarantee, including inter-group financial guarantee contracts, are recognised at fair value under IAS 39, or under IFRS 4 where the conditions required in order to regard it as an insurance contract are satisfied. This is determined on a contract by contract basis, depending on whether the risk transferred represents a financial risk or an insurance risk.

## **Morgan Law Limited**

### **Notes to the Financial Statements for the Period from 31 December 2016 to 31 December 2017**

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the period.

The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

##### *Revenue recognition*

Profit sharing arrangements, fees for the provision of payment instalment plans and other contingent and non-contingent trading deals with third parties are recognised over the life of the relevant arrangement at a point when the amount of revenue can be measured reliably and it is probable that the Company will receive the consideration due under the contract. Trading deal income includes volume based revenue and profit commissions receivable. The level of revenue received can be dependent on the amount of business written, the level of claims incurred and the loss ratio. The amount and timing of trading deal and profit commission income is inherently uncertain and individual amounts may be material. Amounts accrued at the period end and recognised as assets may be judgemental. A change in estimation of trading deal or profit commission income could have a material effect on the Company's financial performance.

##### *Impairment of assets*

The Company tests annually whether investments and other assets that have indefinite useful lives suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount.

The recoverable amount of an asset or a cash generating unit is determined based on the higher of fair market value less cost to sell and a value in use calculations prepared on the basis of management's assumptions and estimates. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the 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 flow.

## Morgan Law Limited

### Notes to the Financial Statements for the Period from 31 December 2016 to 31 December 2017

#### 4 Turnover

The analysis of the company's turnover for the period from continuing operations is as follows:

	31 December 2016 to 31 December 2017 £	31 December 2015 to 30 December 2016 £
Commission and fees	2,300,899	2,361,582
Trading deals	65,451	-
	<u>2,366,350</u>	<u>2,361,582</u>

Turnover consists entirely of sales made in the United Kingdom.

#### 5 Operating loss

Arrived at after charging/(crediting)

	31 December 2016 to 31 December 2017 £	31 December 2015 to 30 December 2016 £
Depreciation expense	32,458	45,348
Auditor's remuneration: audit of these financial statements	21,387	21,663
Operating lease expense - property	154,122	35,329
Operating lease expense - other	1,469	1,815
(Profit)/loss on disposal of property, plant and equipment	(11,696)	4,858
Management charge paid to parent	<u>477,879</u>	<u>338,835</u>

Amounts receivable by the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, The Adonagh Group Limited.

Management fees £477,879 (2016: £338,835) relate to the central recharges. Centralised IT and property costs are recharged across cost centres with the rest of the group.



# Morgan Law Limited

## Notes to the Financial Statements for the Period from 31 December 2016 to 31 December 2017

### 6 Finance costs

	31 December 2016 to 31 December 2017 £	31 December 2015 to 30 December 2016 £
Interest on obligations under finance leases and hire purchase contracts	4,575	8,892
Interest expense on other financing liabilities	2,738	2,408
	<u>7,313</u>	<u>11,300</u>

Interest expense on other financing liabilities represents unwinding of discount calculated on provisions (note 20).

### 7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	31 December 2016 to 31 December 2017 £	31 December 2015 to 30 December 2016 £
Wages and salaries	936,903	893,655
Social security costs	90,106	88,515
Pension costs, defined contribution scheme	19,939	28,777
	<u>1,046,948</u>	<u>1,010,947</u>

The average number of persons employed by the Company (including directors) during the period, analysed by category was as follows:

	31 December 2016 to 31 December 2017 No.	31 December 2015 to 30 December 2016 No.
Administration	4	14
Sales	17	4
Management	1	3
	<u>22</u>	<u>21</u>

### 8 Directors' remuneration

Directors emoluments of £75,000 for services provided to this Company have been paid by other Group entities, which make no recharge to the Company.

# Morgan Law Limited

## Notes to the Financial Statements for the Period from 31 December 2016 to 31 December 2017

### 9 Income tax

Tax charged/(credited) in the statement of comprehensive income

	31 December 2016 to 31 December 2017 £	31 December 2015 to 30 December 2016 £
<b>Current taxation</b>		
UK corporation tax	86,601	116,248
UK corporation tax adjustment to prior periods	(1,071)	(272,346)
	<u>85,530</u>	<u>(156,098)</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	(905)	(7,808)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	1,244	-
Total deferred taxation	<u>339</u>	<u>(7,808)</u>
Tax expense/(credit) in the statement of comprehensive income	<u>85,869</u>	<u>(163,906)</u>

The differences are reconciled below:

	31 December 2016 to 31 December 2017 £	31 December 2015 to 30 December 2016 £
Profit before tax	<u>407,674</u>	<u>497,962</u>
Corporation tax at standard rate	78,477	99,592
Corporation tax adjustment for prior periods	(1,071)	(272,346)
Increase in from effect of capital allowances depreciation	-	1,507
Increase from effect of different UK rates on some earnings	-	2,271
Effect of expenses not deductible in determining taxable profit (tax loss)	7,098	6,284
Increase in current tax from unrecognised tax loss or credit	-	49
Deferred tax expense/(credit) from unrecognised temporary difference from a prior period	1,244	(1,263)
Tax expense relating to changes in tax rates or laws	<u>121</u>	<u>-</u>
Total tax charge/(credit)	<u>85,869</u>	<u>(163,906)</u>

# Morgan Law Limited

## Notes to the Financial Statements for the Period from 31 December 2016 to 31 December 2017

### 9 Income tax (continued)

#### Deferred tax

#### Deferred tax assets and liabilities

	Asset £
<b>2017</b>	
Accelerated tax depreciation	47,070
Provisions	-
	<u>47,070</u>
<b>2016</b>	Asset £
Accelerated tax depreciation	46,859
Provisions	551
	<u>47,410</u>

Deferred tax movement during the period:

	At 31 December 2016 £	Recognised in income £	At 31 December 2017 £
Accelerated tax depreciation	46,859	211	47,070
Provisions	551	(551)	-
Net tax assets	<u>47,410</u>	<u>(340)</u>	<u>47,070</u>

Deferred tax movement during the prior year:

	At 31 December 2015 £	Recognised in income £	At 30 December 2016 £
Accelerated tax depreciation	39,316	7,543	46,859
Provisions	286	265	551
Net tax assets	<u>39,602</u>	<u>7,808</u>	<u>47,410</u>

It is anticipated that the Company will have sufficient profitability in future years to ensure the utilisation of the capital allowances claim.

# Morgan Law Limited

## Notes to the Financial Statements for the Period from 31 December 2016 to 31 December 2017

### 10 Property, plant and equipment

	Leasehold improvements £	Fixtures and fittings £	Motor vehicles £	Computer hardware £	Total £
<b>Cost or valuation</b>					
At 31 December 2016	1,434	14,508	131,342	44,515	191,799
Additions	4,859	-	-	-	4,859
Disposals	-	-	(56,032)	-	(56,032)
At 31 December 2017	6,293	14,508	75,310	44,515	140,626
<b>Depreciation</b>					
At 31 December 2016	-	14,047	75,498	41,395	130,940
Charge for the year	473	196	28,880	2,909	32,458
Eliminated on disposal	-	-	(51,148)	-	(51,148)
At 31 December 2017	473	14,243	53,230	44,304	112,250
<b>Carrying amount</b>					
At 31 December 2017	5,820	265	22,080	211	28,376
At 30 December 2016	1,434	461	55,844	3,120	60,859

### 11 Intangible assets

	Goodwill £
<b>Cost or valuation</b>	
At 31 December 2016	364,400
At 31 December 2017	364,400
<b>Amortisation</b>	
At 31 December 2016	30,367
At 31 December 2017	30,367
<b>Carrying amount</b>	
At 31 December 2017	334,033
At 30 December 2016	334,033

# Morgan Law Limited

## Notes to the Financial Statements for the Period from 31 December 2016 to 31 December 2017

### 11 Intangible assets (continued)

#### Impairment testing

The recoverable value of the Company is determined as the higher of fair value less costs to sell (FVLCS) or value in use (VIU), in accordance with the Company's accounting policy in note 2. For the period end 31 December 2017, FVLCS is deemed to be the appropriate valuation basis.

The Company has assessed its FVLCS as its proportion of the total Group FVLCS which was calculated on the basis of the recent share transactions in the Group. Value has been apportioned to the company on the basis of its proportion of 2018 revenue attributable to the Broking CGU in which it sits, as deemed from the 3 year plan. This most accurately reflects the perspective of external market participants as it incorporates the Company's future investment plans and strategic objectives in the value attributed to each CGU of the Company.

FVLCS is considered to be a level 3 valuation in the fair value hierarchy, as it is not based on observable market data.

The FVLCS allocated to the Company is equal to, or in excess, of the respective carrying value and no impairment of goodwill is necessary for the period ended 31 December 2017.

### 12 Other financial assets

	31 December 2017 £	30 December 2016 £
<b>Non-current financial assets</b>		
Available for sale financial assets	<u>1</u>	<u>1</u>

	31 December 2017 £	30 December 2016 £
<b>Current financial assets</b>		
Held to maturity investments	<u>-</u>	<u>140,204</u>

Held to maturity assets represent cash placed on 12 month fixed term deposits during 2016. The cash placed on deposit represents restricted own funds.

# Morgan Law Limited

## Notes to the Financial Statements for the Period from 31 December 2016 to 31 December 2017

### 13 Trade and other receivables

	31 December 2017 £	30 December 2016 £
Trade receivables in relation to insurance transactions	265,764	185,404
Provision for impairment of trade receivables	(8,189)	(7,650)
Net trade receivables	257,575	177,754
Receivables from related parties	10,110,552	8,107,194
Accrued income	-	36,810
Prepayments	14,677	17,853
Other receivables	5,915	5,269
Total current trade and other receivables	10,388,719	8,344,880

The Company's receivables from related parties are stated at £10.1m (2016: £8.1m)

### 14 Cash and cash equivalents

	31 December 2017 £	30 December 2016 £
Cash in hand	250	250
Cash at bank	1,476,433	1,764,045
	1,476,683	1,764,295

Cash at bank includes £1,276,302 (2016: £1,616,068) which constitutes restricted client money and insurer money and £200,131 (2016: £60,215) in office accounts which are considered restricted and not available to pay the general debts of the Company.

### 15 Loans and borrowings

	31 December 2017 £	30 December 2016 £
<b>Non-current loans and borrowings</b>		
Finance lease liabilities	-	25,996

	31 December 2017 £	30 December 2016 £
<b>Current loans and borrowings</b>		
Finance lease liabilities	25,227	22,231

# Morgan Law Limited

## Notes to the Financial Statements for the Period from 31 December 2016 to 31 December 2017

### 16 Share capital

#### Allotted, called up and fully paid shares

	31 December 2017		30 December 2016	
	No.	£	No.	£
Ordinary shares of £1 each	<u>601,000</u>	<u>601,000</u>	<u>601,000</u>	<u>601,000</u>

### 17 Obligations under leases and hire purchase contracts

#### Operating leases

The total future value of minimum lease payments is as follows:

	31 December 2017	30 December 2016
	£	£
Within one year	119,972	119,972
In two to five years	<u>126,217</u>	<u>246,189</u>
	<u>246,189</u>	<u>366,161</u>

### 18 Pension and other schemes

#### Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £19,939 (2016: £28,777).

# Morgan Law Limited

## Notes to the Financial Statements for the Period from 31 December 2016 to 31 December 2017

### 19 Trade and other payables

	31 December 2017 £	30 December 2016 £
<b>Current trade and other payables</b>		
Trade payables in relation to insurance transactions	1,328,565	1,537,401
Accrued expenses	88,299	50,246
Amounts due to related parties	6,281,916	4,801,453
	<u>7,698,780</u>	<u>6,389,100</u>

### 20 Provisions

	Long term incentive plan £	Dilapidations £	Total £
At 31 December 2016	3,235	31,284	34,519
Additional provisions	(3,235)	4,859	1,624
Increase (decrease) due to passage of time or unwinding of discount	-	2,738	2,738
At 31 December 2017	-	38,881	38,881
Non-current liabilities	-	38,881	38,881

Long term incentive plan (LTIP) provision - All of the costs have been incurred during 2017 and the provision fully released.

Dilapidations provision - provides for the estimated amounts payable for dilapidation on each property at the end of the lease term.

Over 1 year provisions are discounted at the rate of 1.9%. The finance charge relating to unwinding of the discount has been charged to the statement of comprehensive income.



## **Morgan Law Limited**

### **Notes to the Financial Statements for the Period from 31 December 2016 to 31 December 2017**

#### **21 Commitments**

##### **Guarantees**

On 2 April 2015, Ardonagh Finco Plc (formerly known as TIG Finco plc), an intermediate holding company, issued £425.0m of 8.75% senior secured notes and £75.0m of floating rate super senior secured notes. For details of the obligations of certain group companies in relation to guaranteeing these notes please refer to the consolidated financial statements of the Company (formerly named TIG Topco Limited) for the year ended 31 December 2016.

On 25 May 2017 Ardonagh Midco 3 plc, a newly incorporated intermediate holding company, entered into a £90m super senior revolving credit facility (the RCF). The RCF contemplated an additional £30m of uncommitted funds.

On 20 June 2017, Ardonagh Midco 3 Plc issued £400.0m of 8.375% senior secured notes and USD520.0m of 8.625% senior secured notes (together, the Notes). On 22 June 2017, all outstanding amounts due under the £425.0m senior secured notes and £75.0m floating rate super senior secured notes issued by Ardonagh Finco Plc in April 2015 were settled.

On 20 December 2017 Ardonagh Midco 3 plc issued an additional £55.0m of 8.375% senior secured notes which are fungible with the existing GBP senior secured notes issued on 20 June 2017. On the same date the commitments under the RCF were increased to £105.0m. During the second quarter of 2018 the commitments under the RCF were further increased to £120m.

On 8 June 2018, Ardonagh Midco3 plc issued an additional £98.3m of 8.375% senior secured notes which are fungible with the existing GBP senior secured notes issued on 20 June 2017. These notes were issued at a premium of £1.5m.

On 20 June 2018 the amount drawn down on the RCF of £45m was repaid in full.

The obligations of Ardonagh Midco 3 Plc under the Midco 3 notes are guaranteed by Ardonagh Midco 2 Plc, the immediate parent company of Ardonagh Midco 3 Plc and all its material and certain other subsidiaries. These subsidiaries are listed below:

Nevada Investment Holdings 5 Limited	Morgan Law Limited
Nevada Investment Holdings 6 Limited	Paymentshield Group Holdings Limited
Nevada Investment Holdings 7 Limited	Paymentshield Holdings Limited
Nevada Investments TopCo Limited	Paymentshield Limited
Nevada Invesments Holdings Limited	Paymentshield Services Limited
Nevada InvestorCo Limited	Ardonagh Finco Plc (formerly TIG Finco Plc)
Nevada Investments 1 Limited	Towergate Insurance Limited
Nevada Investments 2 Limited	Towergate Risk Solutions Limited
Nevada Investments 3 Limited	Towergate Underwriting Group Limited
Nevada Investments 4 Limited	PFIH Limited (guarantor only)

## **Morgan Law Limited**

### **Notes to the Financial Statements for the Period from 31 December 2016 to 31 December 2017**

#### **21 Commitments (continued)**

Nevada Investments 5 Limited	Price Forbes & Partners Limited (guarantor only)
Nevada Investments 6 Limited	Price Forbes Holdings Limited (guarantor only)
Nevada Investments 7 Limited	Direct Group Limited
Arista Insurance Limited	Direct Group Property Services Limited
Broker Network Holdings Limited	Direct Newco Limited
CCV Risk Solutions Limited	Direct Validation Services Limited
Cullum Capital Ventures Limited	Millennium Insurance Brokers Limited
Four Counties Insurance Brokers Limited	Direct Group Topco Limited
Fusion Insurance Holdings Limited	Chase Templeton Group Limited
Geo Underwriting Services Limited (formerly Fusion Insurance Services Limited)	Chase Templeton Holdings Limited
Lunar 101 Limited	Chase Templeton Limited
Bishopsgate Insurance Brokers Limited	

These guarantees have been treated under IFRS 4 in line with the accounting policy described in note 2.

#### **22 Related party transactions**

During the period the Company entered into transactions, in the ordinary course of business, with a number of related parties. The Company has taken the exemption under FRS 101 not to disclose transactions with fellow wholly owned subsidiaries or key management personnel.

#### **23 Parent and ultimate parent undertaking**

The Group's majority shareholder is HPS Investment Partners LLC. At 31 December 2017, the ultimate parent company was The Ardonagh Group Limited (incorporated in Jersey, registered office address, 47 Esplanade, St Helier, Jersey, JE1 0BD). The Ardonagh Group Limited is the largest group in which the results are consolidated and its financial statements are available upon request from:

Towergate House  
Eclipse Park  
Sittingbourne Road  
Maidstone  
Kent  
ME14 3EN