Registration number: 04849648

Four Counties Insurance Brokers Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019

Four Counties Insurance Brokers Limited

Contents

Four Counties Insurance Brokers Limited

Company Information

Directors	D C Ross D Cougill
Company secretary	D Clarke
Registered office	2 Minster Court Mincing Lane London EC3R 7PD United Kingdom
Auditor	Deloitte LLP 1 New Street Square London EC4A 3HQ United Kingdom

Four Counties Insurance Brokers Limited

Strategic Report for the Year Ended 31 December 2019

The directors present their Strategic Report for the year ended 31 December 2019 for Four Counties Insurance Brokers Limited ("the Company"). The Strategic Report provides a review of the business for the financial year and describes how the directors manage risks. The report outlines the performance of the Company during the financial year and its position at the end of the year. The report discusses the developments that have affected the Company and the main trends and factors that could affect its future. The Company is part of The Ardonagh Group Limited ("the Group").

Principal activity and business review

The principal activity of the Company is the provision of insurance broking services.

The results for the Company show turnover of £548,717 (2018: £2,290,364) and loss before tax of £1,395,712 (2018: profit £146,163) for the year. At 31 December 2019 the Company had net assets of £7,778,947 (2018: £6,052,977). The going concern note (part of accounting policies) on page 15 sets out the reasons why the directors believe that the preparation of the financial statements on a basis other than going concern is appropriate.

In March 2019, as part of the Group strategy to align the legal entity structure with its operating segments, the Company disposed of its remaining trade to Towergate Underwriting Group Limited, a company under common control.

Outlook

In December 2018 and March 2019, the Company transferred its business and assets to fellow Group companies and since then the Company has been in run-off. It is the directors' intention to wind up the Company once the run off process has completed.

The unprecedented and rapidly evolving nature of the global Covid-19 pandemic (including short-term and long term effects thereof) creates unprecedented and extraordinary uncertainties for most businesses including Four Counties Insurance Brokers Limited. Consideration of the financial risk and future impact can be found in the 'Principal risks and uncertainties' section on page 3.

Key performance indicators

The Company's key financial and other performance indicators during the year were as follows:

	Unit	2019	2018
Gross written premium (GWP)	£m	1.1	5.6
Total income (commission and fees, and other income)	£m	.5	2.3
Administrative expenses (salaries and associated costs, and other operating costs)	£m	1.9	2.1
Total income/GWP ratio	%	45.5	41.1
Administrative expenses/ total income ratio	%	380.0	91.3

The directors also consider a key performance indicator for the Company to be ensuring its liabilities are settled fairly and expeditiously.

Principal risks and uncertainties

The principal risk facing the Company is ensuring timely settlement of its liabilities. The directors believe that the Company have resources to meet projected financial obligations over the coming year.

As noted in the Outlook section the Company's operations are in run-off and the Company is managed on a basis other than going concern.

The principal risks and their mitigation are as follows:

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

Impact of Covid-19
The Company and Group have considered the consequences and ramifications of the Covid-19 pandemic. Business Continuity Plans are in place across each of the operating segments, with measures to manage employee absences, access to the wider network of all offices, the efficiency and stability of the Company's infrastructure and the ability for home working for a significant portion of our employee base. Leadership teams and working groups led by senior managers are in place to support operational resilience and taking common-sense precautions with a view to ensuring the wellbeing of colleagues. We continue to review this approach on a daily basis in line with latest global developments and government guidance. Insurance broking is a resilient and defensive market, which has historically had limited impact from past economic or capital market downturns. As a Group, Ardonagh is highly diversified and not materially exposed to a single carrier, customer or market sector.

The Company and Group have sufficient liquidity to withstand a period of potential poor trading resulting from a sustained impact of Covid-19 and closely monitors available liquidity on an ongoing basis.

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 throughout the Group and embedded within its culture to reduce the risk of errors and non-compliance.

General Data Protection Regulation
The Company's computer systems store information about our customers, some of which is sensitive personal data. Database privacy, identity theft and related computer and internet 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 the Company has 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 the Company maintain in its databases and protect it from theft or inadvertent loss.

Future impact of Brexit
The Brexit decision may affect the ability of businesses to passport from the UK into other EU states and likewise into the UK from the EU. Following the 2019 general election, the Prime Minister has been clear that he is driven to deliver Brexit with a transition period ending on 31 December 2020.

We continue to believe that the direct impact on the Group will not be significant because it conducts only limited business within the EU and, importantly, because several additional mitigation strategies have been put in place during 2019 (i.e. gaining direct authorisation in certain EU member states) to reduce the risk . However, the loss of passporting rights may affect the insurance markets in which the Group operates, possibly reducing insurance capacity, competition and choice.

Brexit could also lead to a general decline in economic conditions in the UK where the Group operates predominantly. The diversified business portfolio of the Group continues to mitigate the risk of a general decline in economic conditions.

Approved by the board on 22nd Dec 2020.. and signed on its behalf by:

D Cougill
Director

Four Counties Insurance Brokers Limited

Directors' Report for the Year Ended 31 December 2019

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

Directors of the Company

The directors, who held office during the year and up to the date of signing, were as follows:

D C Ross (appointed 17 December 2019)

A Erotocritou (resigned 1 August 2019)

R L Worrell (resigned 17 December 2019)

D Cougill (appointed 1 August 2019)

Dividends

The directors do not recommend a final dividend payment to be made in respect of the financial year ended 31 December 2019 (2018: £Nil).

Financial risk management objectives and policies

Details of financial risk management objectives and policies can be found in the Strategic Report within the 'Principal risks and uncertainties' section on page 2.

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 year (2018: £Nil).

Going concern

The Company disposed of its trade and assets on 1 March 2019 and was in run-off from that date. It is the directors' intention to liquidate the Company. As a consequence, the financial statements have been prepared on a basis other than going concern.

Subsequent events

Details of subsequent events can be found in the notes to the financial statements within the 'Subsequent events' note on page 38.

Directors' liabilities

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

Disclosure of information to the auditor

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

The auditor, Deloitte LLP, is deemed to be reappointed under section 487 (2) of the Companies Act 2006.

Approved by the board on 22nd Dec 2020 and signed on its behalf by:

D Cougill
Director

Four Counties Insurance Brokers Limited

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with the 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 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 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.

Four Counties Insurance Brokers Limited

Independent Auditor's Report to the Members of Four Counties Insurance Brokers Limited

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Four Counties Insurance Brokers Limited ("the Company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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

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

Emphasis of matter- Financial Statements prepared other than on a going concern basis
We draw attention to note 2 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

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

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

We have nothing to report in respect of these matters.

Independent Auditor's Report to the Members of Four Counties Insurance Brokers Limited (continued)

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

• the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

• the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

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 respect of these matters.

Independent Auditor's Report to the Members of Four Counties Insurance Brokers Limited (continued)

Use of our report

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

Claire Clough.

....

Claire Clough (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

Date: 22 December 2020

Four Counties Insurance Brokers Limited

Statement of Comprehensive Income for the Year Ended 31 December 2019

	Note	2019 £	2018 £
Commission and fees	5	548,717	2,290,364
Salaries and associated costs	7	(277,947)	(1,166,660)
Impairment of financial assets		15,427	(15,911)
Administrative expenses		(46,600)	(960,467)
Depreciation, amortisation and impairment of non-financial assets	12, 11	(1,634,626)	(1,880)
Operating (loss)/profit		(1,395,029)	145,446
Gain on disposals of assets		1,264	-
Finance (cost)/income	9	(1,947)	717
(Loss)/profit before tax		(1,395,712)	146,163
Income tax credit/(charge)	10	241,733	(27,926)
Net (loss)/profit for the year		(1,153,979)	118,237

The 2019 results were derived from wholly discontinued operations.

Four Counties Insurance Brokers Limited

(Registration number: 04849648)
Statement of Financial Position as at 31 December 2019

	Note	2019 £	2018 £
Current assets			
Intangible assets	11	-	1,621,760
Property, plant and equipment	12	17,498	2,670
Deferred tax assets	10	11,766	11,024
Trade and other receivables	14	21,725,629	18,483,943
Income tax asset	10	284,269	-
Cash and cash equivalents	15	326,949	704,088
		22,366,111	20,823,485
Current liabilities			
Trade and other payables	16	14,571,164	14,671,805
Tax liabilities		-	57,530
Provisions	19	16,000	41,173
		14,587,164	14,770,508
Net assets		7,778,947	6,052,977
Capital and reserves			
Share capital	17	168	168
Share premium reserve		774,932	774,932
Merger reserve	4	2,235,795	(644,154)
Retained earnings*		4,768,052	5,922,031
		7,778,947	6,052,977

*The Company subsumed its capital contribution reserve, which was previously presented separately, within retained earnings. The amount subsumed was £229 at 31 December 2018.

Approved by the board on 22nd Dec 2020 and signed on its behalf by:

D Cougill
Director

Four Counties Insurance Brokers Limited

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

	Share capital £	Share premium £	Merger reserve £	Retained earnings £	Total £
At 1 January 2019	168	774,932	(644,154)	5,922,031	6,052,977
Net loss for the year	-	-	-	(1,153,979)	(1,153,979)
On discontinued operations	-	-	2,879,949	-	2,879,949
At 31 December 2019	168	774,932	2,235,795	4,768,052	7,778,947

In 2019, the Company disposed of business and assets to a fellow Group company, Towergate Underwriting Group Limited. This resulted in a £2,879,949 movement to Merger reserves. For further details please refer to note 4 Discontinued operations.

	Share capital £	Share premium £	Merger reserve £	Retained earnings £	Total £
At 1 January 2018	168	774,932	-	5,803,565	6,578,665
Net profit for the year	-	-	-	118,237	118,237
On business combinations	-	-	(644,154)	-	(644,154)
Share-based payment*	-	-	-	229	229
At 31 December 2018	168	774,932	(644,154)	5,922,031	6,052,977

*The Company subsumed its share-based payment reserve, which was previously presented separately as a capital contribution reserve, within retained earnings.

Four Counties Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

1 General information

The Company is a private company limited by share capital incorporated and registered in England, United Kingdom. The details of the Company's registered office address can be found on page 1. The principal activity of the Company is disclosed on page 2 within the 'Strategic Report' section.

These financial statements for the year ended 31 December 2019 were authorised for issue by the board on ...22nd.Dec.2020......... and the Statement of Financial Position was signed on the board's behalf by D Cougill.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101").

The financial statements are presented in GBP sterling (£), which is also the Company's functional currency. These financial statements have been prepared under the historical cost convention, as modified to use a different measurement basis where necessary to comply with FRS 101.

The directors have considered the guidance of the UK Financial Reporting Council and events relating to the spread of coronavirus (Covid-19) and have treated this as a non-adjusting subsequent event in these financial statements, see note 23.

The financial statements have been prepared on an other than going concern basis, as modified to use a different measurement basis where necessary to comply with FRS 101.

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 IFRS"), but makes amendments where necessary in order to comply with the 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:

• the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64 (q)(ii), B66 and B67 of IFRS 3 Business Combinations which includes among other exemptions the requirement to include a comparative period reconciliation for goodwill;

• the requirements of paragraph 33(c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations;

• 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;

2 Accounting policies (continued)

• 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;

• 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;

• 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;

• 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;

• 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;

• 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.

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 25.

Going Concern

The financial statements of the Company have been prepared on the basis other than that of a going concern. At 31 December 2019 the Company had net assets of £7,778,947 (2018: £6,052,977) and net current assets of £7,778,947 (2018: £6,052,977) The net current assets include amounts receivable from related parties of £21,614,343 (2018: £18,274,716), and amounts due to related parties of £14,480,409 (2018: £14,176,860). The Company reported an operating loss of £1,395,029 (2018: operating profit of £145,446) for the year ended 31 December 2019. The Company was one of a number of group companies who at 31 December 2019 guaranteed bank and bond debt owed by Ardonagh Midco 3 Plc, an immediate holding company in the Group.

It is the directors' intention to wind up the Company once its liabilities have been settled. Consequently, the financial statements have been prepared on the basis other than that of a going concern.

Application of new and revised International Financial Reporting Standards ("IFRS")

The Company adopted IFRS 16 on 1 January 2019.

Nature of the change

IFRS 16 'Leases' sets out the principles for the recognition, measurement and presentation of leases, for both lessees and lessors. IFRS 16 superseded IAS 17 'Leases' and several related interpretations when it became effective on 1 January 2019. The date of initial application for the Company was 1 January 2019 and so IFRS 16 applies for accounting periods beginning on or after that date.

2 Accounting policies (continued)

Impact after adopting IFRS 16

The definition of a lease
IFRS 16 Leases became mandatorily effective on 1 January 2019. The company has applied this for the first time in this accounting period which resulted in changes to the accounting policies.

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to the direct use of that asset.

The Company applies the practical expedient in IFRS 16 not to separate non-lease components from lease components and instead, accounts for each lease component and any associated non-lease components as a single lease component.

Lessee accounting
The company transitioned to IFRS 16 using the modified retrospective approach and as a result the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. The prior period figures were not adjusted.

On adoption of IFRS 16, the company elected to apply the relief provisions available and has not reviewed contacts under the definition of a lease per IFRS 16, which had previously not been classified as leases under the principles of IAS 17. Therefore, only contracts entered into or modified on or after 1 January 2019 have the definition of a lease per IFRS 16 applied.

In addition, the company decided to apply recognition exemptions to leases with a term not exceeding 12 months and leases where the underlying assets are of low value.

For leases classified as operating leases under IAS 17, these lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The company has used the following practical expedients permitted by IFRS 16 when applying this for the first time to leases previously classified as operating leases:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Applied the exemption not to recognise liabilities for leases with less than 12 months of lease term remaining;
- Excluded initial direct costs for the measurement of right-to-use assets at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extent or terminate the lease.

Right-of-use assets are measured at either:

- Their carrying amount as if IFRS 16 has been applied since commencement, discounted using the lessee's incremental borrowing rate at the date of initial application;
- An amount equal to the lease liability, adjusted for any prepaid or accrued lease payments.

No adjustments are required on transition to IFRS 16 for leases where the company acts as a lessor, except for a sub-lease. A reassessment of the classification of a sub-lease is required under IFRS 16.

2 Accounting policies (continued)

Transition

The Company adopted IFRS 16 by applying the modified retrospective approach, which requires the cumulative effect of initial application of IFRS 16 to be recognised as an adjustment to the opening balance of retained earnings on the 1 January 2019 date of initial application, without restating prior years. There is no impact on retained earnings on 1 January 2019 as the Company recognised the right-of-use asset at an amount equal to the lease liability subject to other adjustments (see below), as permitted by IFRS 16 when initially applying this new accounting standard.

The Company applied the following practical expedients on the 1 January 2019 date of initial application of IFRS 16:

- The right-of-use asset was recognised at an amount equal to the lease liability at the date of initial application, adjusted by the amount in the statement of financial position immediately before the date of initial application for any prepaid or accrued lease payments and provisions for onerous leases;
- A single discount rate was used for a portfolio of leases with reasonably similar characteristics, in particular for property leases in the same lease term grouping;
- The right-of-use asset corresponding to existing operating leases was, as an alternative to performing an impairment review, reduced by the amount of the related onerous lease provisions immediately before the date of initial application;
- Initial direct costs were excluded from the measurement of the right-of-use asset; and
- Hindsight was used, in particular in determining the lease term for arrangements with options to extend or terminate the lease.

The effect of adopting IFRS 16 as at 1 January 2019 was as follows:

	£
Assets	
Right-of-use assets	196,980
	196,980
Liabilities	
Lease liabilities	(193,003)
Transfer to equity	(3,977)
	(196,980)

The weighted average incremental borrowing rate applied to lease liabilities recognised in the Statement of Financial Position at the date of initial application is 13.0%.

Accounting policies following adoption of IFRS 16

Below is a summary of the new accounting policies of the Company following the adoption of IFRS 16, which have been applied from the date of initial application.

2 Accounting policies (continued)

Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and are adjusted for certain remeasurements of the lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date of the lease less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable, which is generally the case. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment of an option to purchase the underlying asset.

Leases of low value assets
The Company elects on a lease-by-lease basis whether to apply the lease of low-value assets exemption to leases of office equipment that are considered to be of low value (i.e. below £5,000). Lease payments on leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

There are no other amendments to accounting standards, or IFRIC interpretations, that are effective for the year ended 31 December 2019 and that have had a material impact on the Company.

Revenue
Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer (net of refunds) and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a service to a customer. This revenue is recognised in the accounting year when control of the product has been transferred, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

2 Accounting policies (continued)

Commission and fees
Revenue includes commission and fees receivable by the Company. Commission and fees relate mainly to placement or underwriting of policies on behalf of insurers or policyholders and are recognised at the later of policy inception date or when the policy placement has been completed and confirmed.

The Company charges fees and retains a portion of the policy premiums as commission. Premiums are typically collected on an annual basis, at or near contract inception (which could be up to 60 days from contract inception). In some cases, customers are offered to pay in instalments or are directed to a third-party premium credit provider. Some of the policies are rolling until the customer cancels the policy.

Employee benefits

Pension costs
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.

Finance income and costs policy
The Company's finance income and finance costs include:
• unwind of discount on provisions
• unwind of discount on lease liabilities

Interest income and expenses are recognised using the effective interest method for debt instruments classified as amortised cost and as FVTOCI.

Taxation

Current tax
Current tax is recognised for the amount of 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
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 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, deferred tax is reversed. Deferred tax assets and deferred tax liabilities are only offset if there is a legally enforceable right to set off current tax assets against current tax liabilities. Deferred tax asset and the deferred tax liability can only be offset when they relate to income taxes levied by the same taxation authority. Where deferred tax is offset on different taxable entities this is allowed when it is intending either to settle current tax assets or liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously.

The tax expense for the period comprises current and deferred tax. Income 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. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity.

2 Accounting policies (continued)

Intangible assets

Goodwill

Goodwill is initially measured as the excess of the fair value of the consideration transferred and of the non-controlling interest over the fair value of the net of the identifiable assets acquired and liabilities assumed. If goodwill is negative (i.e. a shortfall instead of an excess), it is recognised in profit or loss.

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash generating units for the purposes of impairment testing.

Computer software

Acquired computer software licences exist either through business combinations when they are separable or are purchased separately and are capitalised on the basis of the costs incurred to acquire them. Their fair value has been calculated by using the net book value acquired. These costs are amortised on a straight line basis over their estimated useful lives of four years.

Where software development projects are incomplete, costs are capitalised as work in progress and included within intangible assets. These costs are not subject to amortisation until completion of the project.

Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 of disposal 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 (cash generating units).

Any impairment charges arising from the review of the carrying value of goodwill and intangible assets are, where material, presented separately on the face of the Statement of Comprehensive Income.

Property, plant and equipment

Assets are stated at their net book value (historical cost less accumulated depreciation). Depreciation is calculated to write off the cost of such assets on a straight-line basis over their estimated useful lives. At the reporting date, the Company's principal rates of depreciation were as follows:

Asset class	Depreciation method and rate
Leasehold improvements	Over the remaining life of the lease
Fixture and fittings	25% per annum straight line
Motor vehicles	25% per annum straight line
Computer equipment	25% per annum straight line
Furniture and office equipment	25% per annum straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Property, plant and equipment is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of property, plant and equipment, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

2 Accounting policies (continued)

Financial instruments

Recognition and initial measurement
Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument, and they are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs not directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Derecognition
Financial assets
Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the Statement of Comprehensive Income. On derecognition of an investment in an equity instrument which the Company has elected on initial recognition to measure at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to the Statement of Comprehensive Income, but is transferred to retained earnings.

Financial liabilities
A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. The difference between the carrying value of the original financial liability and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets

Classification and subsequent measurement of financial assets
The Company classifies its financial assets in the following measurement categories:
• Amortised cost;
• Fair value through other comprehensive income (FVTOCI); or
• Fair value through profit or loss (FVTPL).
All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on their classification.

2 Accounting policies (continued)

Financial assets classified as amortised cost
Financial assets that meet the following conditions are classified and subsequently measured at amortised cost:
• the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The Company's financial assets measured at amortised cost include trade and other receivables, cash and cash equivalents and other financial assets. The Company's trade receivables do not generally have a significant financing component, so and as such their transaction (invoiced) price is considered to be their amortised cost.

Insurance brokers act as agents in placing the insurable risks of their clients with insurers and, as such, are not usually liable as principals for amounts arising from such transactions. In recognition of this relationship, debtors from insurance broking transactions are not, in general, included as an asset of the Company. Other than the receivable for fees and commissions earned on a transaction, no recognition of the insurance transaction does not, in general, 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.

Financial assets classified as FVTOCI
Financial assets are classified and subsequently measured at FVOCI if they meet the criteria to be classified at amortised cost except that the business model is to sell financial assets as well as to hold financial assets to collect contractual cash flows.

The Company may also irrevocably elect to classify and subsequently measure equity investments at FVOCI. Gains and losses on these equity instruments are never recycled to profit or loss. Dividend income from equity instruments measured at FVTOCI is recognised in profit or loss as part of investment income when the right to payment has been established (provided that it is probable that the economic benefits will flow to the Company and that the amount of income can be measured reliably), except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case such gains are recorded in other comprehensive income. The right to payment is established on the ex-dividend date for listed equity securities, and usually on the date when shareholders approve the dividend for unlisted equity securities. Equity instruments at FVTOCI are not subject to an impairment assessment.

The Company has designated all of its unlisted equity investments as at FVTOCI, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term.

Reclassifications
Financial assets are not reclassified subsequent to their initial recognition. They would only be reclassified if the Company were to change its business model for managing its financial assets, in which case the affected financial assets would be reclassified in the period following that change.

2 Accounting policies (continued)

Impairment of financial assets
The Company assesses, on a forward-looking basis, the expected credit losses (ECL) associated with its financial assets carried at amortised cost. The Company recognises a loss allowance for such losses at each reporting date.

The Company recognises lifetime ECL for trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors and by scalar factors to reflect differences between economic conditions during the period over which the historical data was collected versus current conditions and the Company's view of economic conditions over the expected lives of the receivables, including the time value of money where appropriate. Scalar factors are typically based on GDP and unemployment rate forecasts.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 months ECL.

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Cash and cash equivalents represent cash and deposits held with bank and financial institution counterparties. All cash and cash equivalents are assessed to have low credit risk at each reporting date as they are held with reputable banks and financial institution counterparties with, wherever possible, a minimum single A credit rating from both Moody's and S&P. The Company measures the loss allowance for such assets at an amount equal to 12 months ECL.

ECL is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available.

2 Accounting policies (continued)

Default
The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:
• when there is a breach of financial covenants by the counterparty; or
• information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full.

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:
• significant financial difficulty of the issuer or the borrower;
• a breach of contract, such as a default or past due event;
• the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender(s) would not otherwise consider;
• it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
• the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy
The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. The Company writes off all receivables over 120 days past due because historical experience has indicated that these receivables are generally not recoverable. A write-off constitutes a derecognition event. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the Statement of Comprehensive Income.

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.

Trade and other receivables
Trade and other receivable are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as fixed assets.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors 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 debtors.

Trade and other payables
Trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost.

2 Accounting policies (continued)

Provisions

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

The amount recognised as a provision is management's best estimate of the consideration required to settle the present obligation at the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation.

Where appropriate the Company discounts provisions to their present value. The unwinding of the provision discounting is included as an interest charge within finance costs in the income statement. In the year the Company discount rate used to calculate the present value of provisions was amended to reflect the risk-free rate.

Share capital

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

Accounting for business combinations under common control

Business combinations under common control are outside the scope of IFRS 3. The consideration for a transfer of business and net assets is determined by calculating the fair market value of the business and net assets, so as to ensure that the transfer does not constitute a distribution. The transferee derecognises the existing assets and liabilities. The transferor recognises the existing assets and liabilities at the 'predecessor' carrying amounts at which they were recognised by the transferor immediately prior to the transfer. The transferee and the transferor recognise the difference between the consideration paid and sum of the carrying amounts of the assets and liabilities in a merger reserve (no goodwill is recognised).

3 Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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

Critical judgement in applying accounting policies

Deferred tax assets

Significant judgement is required in determining the asset recognised in respect of deferred tax. A deferred tax asset is recognised for temporary timing differences, and management's best estimate is used to determine the extent that it is probable that taxable profit will be available in the future, against which the temporary differences can be utilised, and the amount of this taxable profit. Deferred tax assets are measured at the tax rates in accordance with the tax laws that have been enacted or substantively enacted by the end of the reporting year. The deferred tax asset as at 31 December 2019 is £11,766 (2018: £11,024).

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

Key sources of estimation uncertainty:

Leases - determination of the discount rate

Under IFRS 16 the Company is required to measure the lease liabilities at the present value of lease payments to be made over the lease term. In substantially all leases the Company uses the incremental borrowing rate at the lease commencement date because the rate implicit in the lease is not readily determinable. The determination of the incremental borrowing rate has a material impact on the amounts initially recognised as a lease liability and on the corresponding right-of-use asset. It also impacts the amounts that are subsequently recognised as amortisation and interest expense in the Statement of Comprehensive Income.

The Company has determined the discount rate based on the Group's available secondary bond market yield to maturity pricing, and the discount rate used for each lease depends on the lease amount and term.

The weighted average discount rate used to calculate the lease liabilities at the date of transition to IFRS 16 is described in note 2.

Impairment of assets

The Company tests annually whether goodwill 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 value less costs to sell and a value in use calculation based on 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 cash generating unit is less than its cost, the financial health of and near-term business outlook for the cash generating unit, including factors such as industry and sector performance, changes in regional economies and operational and financing cash flow. More specific assumptions vary between cash generating units but include the gross commission rate, net new business, expense ratio, discount rate and terminal growth rate.

4 Discontinued operations

As part of the Group's strategy to align the legal entity structure with its operating segments. The transferor derecognises the existing assets and liabilities. The transferee recognises the existing assets and liabilities at the 'predecessor' carrying amounts at which they were recognised by the transferor immediately prior to the transfer. The transferee and the transferor recognise the difference between the consideration paid and sum of the carrying amounts of the assets and liabilities in a Merger reserve (no goodwill is recognised).

The trade and assets were transferred to Towergate Underwriting Group Limited, a fellow Group company, in March 2019, resulting in the recognition of a £2,879,949 Merger reserve in Four Counties Insurance Brokers Limited. Being a common control transaction, this transfer is outside the scope of IFRS 3 Business Combinations.

4 Discontinued operations (continued)

The Company has been the transferor in disposing of the following net assets:

	Towergate Underwriting Group Limited
	Total
	£
Financial assets	(127,244)
Financial liabilities	91,441
Provisions	22,495
Net assets disposed	(13,308)
Consideration	2,893,257
Merger reserve	(2,879,949)

5 Turnover

The analysis of the Company's turnover for the year is as follows:

	2019	2018
	£	£
Commission and fees	548,717	2,252,751
Profit commission arrangements	-	4,921
Trading deals	-	32,692
	548,717	2,290,364

Turnover consists entirely of sales made in the United Kingdom.

6 Operating (loss)/profit

The following items have been charged/(credited) in arriving at operating (loss)/profit:

	2019	2018
	£	£
Depreciation on property, plant and equipment	1,172	1,726
Depreciation of right-of-use assets	11,693	-
Amortisation expense	-	154
Auditor's remuneration: audit of these financial statements	16,870	15,214
Impairment of financial assets	(15,427)	15,911
Management charge paid to parent	-	557,677

6 Operating (loss)/profit (continued)

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 Ardonagh Group Limited.

Management fees of £Nil (2018: £557,677) relate to central recharges. Centralised IT, staff , property and other cost are recharged to other companies within the Group. Following decentralisation in 2019, all the expenses were incurred by the Company directly and no costs were paid to the parent company.

7 Staff costs

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

	2019 £	2018 £
Wages and salaries	248,419	975,090
Social security costs	15,159	88,112
Pension costs, defined contribution scheme	14,369	37,867
Redundancy costs	-	65,591
	277,947	1,166,660

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

	2019 No.	2018 No.
Administration	3	12
Sales	5	19
Management	1	3
	9	34

8 Directors' remuneration

The emoluments of all directors are paid by other Group companies, which make no recharge to the Company. These directors are directors of The Ardonagh Group Limited and/or other fellow subsidiaries. Their total emoluments are included in the consolidated financial statements of The Ardonagh Group Limited.

9 Finance income and finance cost

	2019 £	2018 £
Finance income		
Finance income	-	717
Finance costs		
Finance costs	(1,947)	-
Net finance (cost)/income	(1,947)	717

Finance costs in 2019 represents the unwinding of discount calculated on financial liabilities following the adoption of IFRS 16 (note 13).

10 Income tax

Tax credited/(charged) in the Statement of Comprehensive Income

	2019 £	2018 £
Current taxation		
UK corporation tax	240,975	(28,128)
UK corporation tax adjustment to prior periods	17	(13)
	240,992	(28,141)
Deferred taxation		
Arising from origination and reversal of temporary differences	741	215
Tax credited/(charged) in the Statement of Comprehensive Income	241,733	(27,926)

The differences are reconciled below:

	2019 £	2018 £
(Loss)/profit before tax	(1,395,712)	146,163
Corporation tax at standard rate of 19% (2018: 19%)	265,185	(27,771)
Expenses not deductible	(13,903)	-
Income not taxable	240	-
Adjustments to tax charge in respect of previous periods - current tax	17	(13)
Tax charge relating to changes in tax rates or laws	(1,109)	(25)
Deferred tax charge from unrecognised temporary difference from a prior period	(8,685)	-
Fixed asset differences	(12)	(117)
Total tax credit/(charge)	241,733	(27,926)

10 Income tax (continued)

Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%.

Deferred tax

Deferred tax assets and liabilities

2019	**Asset £**
Accelerated tax depreciation	11,766

2018	**Asset £**
Accelerated tax depreciation	11,025

Deferred tax movement during the year:

	At 1 January 2019 £	Recognised in income £	At 31 December 2019 £
Accelerated tax depreciation	11,025	741	11,766

Deferred tax movement during the prior year:

	At 1 January 2018 £	Recognised in income £	At 31 December 2018 £
Accelerated tax depreciation	10,810	215	11,025

Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2019 continue to be measured at a rate of 17%. If the amended tax rate had been used, the deferred tax liability would have been £1,384 higher.

In addition to the amount disclosed above, the Company has potential deferred tax assets at 31 December 2019 of £8,685 (2018: £nil) in relation to fixed assets totalling £51,088 (2018: £nil). This deferred tax asset has not been recognised in these accounts as it is not expected that the Company's future profitability will be sufficient to utilise it.

11 Intangible assets

	Goodwill £	Computer software £	Total £
Cost or valuation			
At 1 January 2019	2,789,099	46,661	2,835,760
Disposals	(2,789,099)	-	(2,789,099)
At 31 December 2019	-	46,661	46,661
Amortisation			
At 1 January 2019	1,167,339	46,661	1,214,000
Impairment	1,621,760	-	1,621,760
Amortisation eliminated on disposals	(2,789,099)	-	(2,789,099)
At 31 December 2019	-	46,661	46,661
Carrying amount			
At 31 December 2019	-	-	-
At 31 December 2018	1,621,760	-	1,621,760

Impairment testing

Management reviews business performance based on lines of business. Goodwill is allocated to, and subsequently tested for impairment at segmental level.

The recoverable amount of the Company is determined as the higher of fair value less costs of disposal (FVLCD) and value in use (VIU), in accordance with the Company's accounting policy. For the year ended 31 December 2019, the recoverable amount of the Company was determined to be fair value less cost of disposal.

FVLCD is considered to be a level 3 valuation in the fair value hierarchy, as it is not based on observable market data. It is derived based on Company's net assets and its future economic rights which is an average of a multiple of Revenue and a multiple of forecast 2020 Adjusted EBITDA.

The transferor impairs the Goodwill balance relating to the business and assets transferred, an impairment on Goodwill charge of £1,621,760 was recognised in the Statement of Comprehensive Income.

12 Property, plant and equipment

	Leasehold improvements £	Fixtures and fittings £	Motor vehicles £	Furniture and office equipment £	Computer hardware £	Total £
Cost or valuation						
At 1 January 2019	1,323	6,653	19,042	4,663	54,386	86,067
Additions	16,000	-	-	-	-	16,000
At 31 December 2019	17,323	6,653	19,042	4,663	54,386	102,067
Depreciation						
At 1 January 2019	1,259	4,047	19,042	4,663	54,386	83,397
Charge for the year	64	1,108	-	-	-	1,172
At 31 December 2019	1,323	5,155	19,042	4,663	54,386	84,569
Carrying amount						
At 31 December 2019	16,000	1,498	-	-	-	17,498
At 31 December 2018	64	2,606	-	-	-	2,670

13 Leases

Right-of-use assets

The Company applied IFRS 16 from 1 January 2019. The table below provides a schedule of the movements in the carrying amount of the right-of-use assets held on the Statement of Financial Position during the year ended 31 December 2019.

	Property £	Lease liabilities £
Additions	23,221	(20,971)
Terminations	(11,528)	-
Depreciation	(11,693)	-
Impairment	-	12,793
Interest payment	-	(1,947)
Lease payments	-	10,125
At 31 December 2019	-	-

13 Leases (continued)

In addition to the above, the Company recognised the following in the Statement of Comprehensive Income for the year:

	2019 £
Expense relating to variable lease payments not included in the measurement of the lease liability (recognised within other operating expenses)	
Service charges	(2,782)
Insurance rent	(4,875)
Other	(139)
	(7,796)

During the year ended 31 December 2019, the total cash outflows for leases was £10,125.

14 Trade and other receivables

	2019 £	2018 £
Current trade and other receivables		
Trade receivables in relation to insurance transactions	28,828	98,851
Provision for impairment of trade receivables	(799)	(16,226)
Net trade receivables	28,029	82,625
Receivables from other Group companies	21,614,343	18,274,716
Accrued income	83,257	1,817
Prepayments	-	5,371
Other assets*	-	119,414
	21,725,629	18,483,943

*Other assets are included in the trade and other receivables in the Statement of Financial Position.

Included within other assets are costs to fulfil the contracts under IFRS 15. Costs to fulfil include salary and other costs of customer-facing employees who undertake activities necessary to satisfy anticipated contracts with the customer. The net impact on the Statement of Comprehensive Income for the year ended 31 December 2019 was £Nil (2018: £28,548).

The directors believe that the intercompany receivables are recoverable. The balances are unsecured, interest free and repayable on demand.

15 Cash and cash equivalents

	2019 £	2018 £
Own funds	195,401	336,343
Fiduciary funds	131,548	367,745
	326,949	704,088

Fiduciary funds represent client money used to pay premiums to underwriters, to settle claims to policyholders and to defray commission and other income. Fiduciary funds are not available for general corporate purposes. Own funds includes £210,642 (2018: £210,642), in office accounts which are considered restricted and not available to pay the general debts of the Company.

16 Trade and other payables

	2019 £	2018 £
Current trade and other payables		
Trade payables in relation to insurance transactions	65,583	358,906
Accrued expenses	25,103	110,059
Amount due to other Group companies	14,480,409	14,176,860
Contract liabilities*	69	25,980
	14,571,164	14,671,805

*Contract liabilities are included in the trade and other payables in the Statement of Financial Position. In 2019, the Company recognised revenue of £Nil (2018: £8,179) that was included in the opening balance of contract liabilities.

Amounts due to other Group companies are unsecured, interest free and payable on demand.

17 Share capital

Allotted, called up and fully paid shares

	2019 No.	2019 £	2018 No.	2018 £
Ordinary shares of £1 each	168	168	168	168

18 Pension and other schemes

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £14,369 (2018: £37,867).

19 Provisions

	Long term incentive plan £	Dilapidations £	Total £
At 1 January 2019	22,495	18,678	41,173
Additional provisions	-	16,000	16,000
Intercompany ad-hoc transfer	-	(18,678)	(18,678)
On discontinued operations	(22,495)	-	(22,495)
At 31 December 2019	-	16,000	16,000

Long term incentive plan - There are two long-term incentive schemes which were established in 2016; the amounts that will ultimately vest are dependent on the personal achievement of the employees (performance ratings and individual contribution targets) The incentives are paid to participants at the end of the relevant performance measurement period. Interim payments were made in 2017, the amount of these was deducted from the final payments settled in June 2019. Payments may be clawed back in the event that an employee leaves the company within 18 months of receiving a payment.

Dilapidations - provides for the estimated amounts payable for dilapidation on Leasehold improvements at the end of the lease term.

20 Commitments

Guarantees

On 25 May 2017, Ardonagh Midco 3 plc, a newly incorporated intermediate holding company, entered into a £90.0m super senior revolving credit facility (RCF).

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. On 22 June 2017, the £425.0m Senior Secured Notes and £75.0m floating rate super Senior Secured Notes issued by Ardonagh Finco plc in April 2015 were redeemed.

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.

On 18 June 2018, Ardonagh Midco 3 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 and 20 December 2017.

On 26 September 2018, the Group's RCF was amended and restated to include an additional £50.0m facility made available solely to provide a Letter of Credit ancillary facility for the same amount. On 5 October 2018, a letter of credit of £50.0m was issued for the benefit of specified entities within the Group solely to provide credit support in respect of potential redress liabilities relating to the sale of certain enhanced transfer value products (ETV). With effect from 1 December 2019, the contractual limitation on the amount that may be utilised of the Group's RCF was removed. On 19 November 2018 USD235m additional 8.625% Senior Secured Notes were issued.

The obligations of Ardonagh Midco 3 plc under the Notes, RCF, and the subsequently issued 8.375% and 8.625% notes, are guaranteed and secured 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:

Ardonagh Midco 3 plc (RCF Guarantor only)	Ardonagh Midco 2 plc
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 Investments Holdings Limited	Paymentshield Services Limited
Nevada InvestorCo Limited	Ardonagh Finco Plc
Nevada Investments 1 Limited	Ardonagh Services Limited
Nevada Investments 2 Limited	Towergate Risk Solutions Limited
Nevada Investments 3 Limited	Towergate Underwriting Group Limited
Nevada Investments 4 Limited	PFIH Limited
Nevada Investments 5 Limited	Price Forbes & Partners Limited
Nevada Investments 6 Limited	Price Forbes Holdings Limited

20 Commitments (continued)

Nevada Investments 7 Limited	URIS Group Limited
Arista Insurance Limited	Millennium Insurance Brokers Limited
Broker Network Holdings Limited	URIS Central Administration Limited
CCV Risk Solutions Limited	URIS Topco Limited
Cullum Capital Ventures Limited	Chase Templeton Group Limited
Four Counties Insurance Brokers Limited	Chase Templeton Holdings Limited
Geo Specialty Group Holdings Limited	Chase Templeton Limited
Geo Underwriting Services Limited	Ardonagh Advisory Holdings Limited
Lunar 101 Limited	Ardonagh Specialty Holdings Limited
Bishopsgate Insurance Brokers Limited	Atlanta Investment Holdings Limited
Swinton Group Limited	Atlanta Investment Holdings A Limited
Swinton (Holdings) Limited	Atlanta 1 Insurance Services Limited
Swinton Properties Limited	Carole Nash Insurance Consultants Limited
KDB Medicals Limited	Health and Protection Solutions Limited

21 Related party transactions

During the year 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.

22 Parent and ultimate parent undertaking

The Group's majority shareholder and ultimate controlling party at 31 December 2019 is HPS Investment Partners LLC. The parent company of the largest group that prepares group financial statements at 31 December 2019 that consolidate the Company is The Ardonagh Group Limited incorporated in Jersey, registered office address 3rd Floor, 44 Esplanade, St Helier, Jersey, JE4 9WG). The parent company of the smallest group that prepares group financial statements at 31 December 2019 that consolidate the Company is Ardonagh Midco 3 plc (incorporated in Great Britain, registered office address 2 Minster Court, London, EC3R 7PD). Financial statements for The Ardonagh Group Limited and Ardonagh Midco 3 plc are available on request from:

2 Minster Court
Mincing Lane
London
EC3R 7PD

23 Subsequent events

The Directors have considered the guidance of the UK Financial Reporting Council and events relating to the spread of coronavirus (Covid-19) and have treated this as a non-adjusting subsequent event in these financial statements (see note 2 Basis of preparation).

July 2020 transaction
During July 2020, the Group implemented the "July 2020 transaction", which comprises of the 14 July 2020 refinancing, which provides further detail on how the Group issued new borrowings, which it used to repay its existing borrowings and to fund acquisitions) and three acquisitions, as set out in the Ardonagh Offering Memorandum dated 22 June 2020, and as summarised below.

• On 14 July 2020, the Group purchased the entire issued share capital of Nevada 5 Topco Limited, of which Arachas Topco Limited is an indirect subsidiary. The consideration paid was €135.8m cash. Additionally, all the existing borrowings of the acquiree group were settled.

• On 14 July 2020, the Group purchased the entire issued share capital of Nevada 4 Midco 1 Limited, the parent of Bravo Investment Holdings Limited. The consideration for the share capital was £39.8m cash. Additionally, all the existing borrowings of the acquiree group were settled.

• On 7 August 2020, The Group completed the purchase of the entire issued share capital of Bennetts Motorcycling Services Limited ("Bennetts"). The consideration paid for the share capital was £1.3m cash. Additionally, all the existing borrowings of the acquiree were settled. The Group exchanged contracts to acquire Bennetts on 17 February 2020 and Ardonagh voluntarily notified the merger to the Competitions and Markets Authority ("CMA"). Following its Phase 1 investigation, the CMA announced on 16 September 2020 that it would refer the merger for an in-depth Phase 2 investigation unless the Group offered suitable undertakings to address the CMA's concerns. In response, the Group has offered to divest Bennetts and has not reported this interest as a business combination as it has been determined that it does not control Bennetts. This interest in the share capital of Bennetts has been recognised as a financial asset measured at fair value through other comprehensive income and is shown as an asset held for sale.