

Registration number: 05044510

Broker Network Holdings Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2018



Broker Network Holdings Limited

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Broker Network Holdings Limited

Company Information

Directors	D C Ross A Erotocritou
Company secretary	D Clarke
Registered office	Hexagon House Grimbald Crag Close St James Business Park Knaresborough North Yorkshire HG5 8PJ
Auditor	Deloitte LLP 1 New Street Square London EC4A 3HQ United Kingdom

Broker Network Holdings Limited

Strategic Report for the Year Ended 31 December 2018

The directors present their Strategic Report for the year ended 31 December 2018 for Broker Network Holdings 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 developments and performance of the Company during the financial year, the position at the end of the year and discusses the main trends and factors that could affect the future. The Company is part of The Ardonagh Group Limited ("the Group" or "Ardonagh").

Principal activities and business review

The principal activity of the Company is that of a non-trading holding company.

The results for the Company show turnover of £Nil (2017: £Nil) and loss before tax of £2,301,445 (2017: £2,081) for the year. At 31 December 2018 the Company had net assets of £50,580,118 (2017: £52,879,888). The Going concern note (part of accounting policies) on page 13 sets out the reasons why the directors continue to believe that the preparation of the financial statements on the going concern basis is appropriate. On 24 December 2018, the Company disposed of its 87.5% shareholding in Oyster Risk Solutions Limited and agreed to pay the purchaser £2,467,792.

Outlook

The directors do not expect there to be any changes in the nature of the business in 2019.

Key performance indicators

The directors of Ardonagh manage the Group's operations on a divisional basis. For this reason, the Company's directors believe that a separate analysis for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business. The development, performance and position of the Group which includes this Company is discussed in the Group's annual report.

The key performance indicator for this company is the carrying value of its subsidiaries, as these are the main assets of the Company. The performance of the subsidiary undertakings will determine whether an impairment to the carrying value is required and this is tested on a regular basis. There was no impairment charge for the current year.

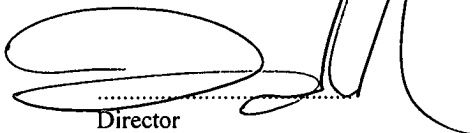
Principal risks and uncertainties

Risk management

The Company's performance and value, as a holding company of the Group, is integrated with its investment in the Company's subsidiaries. As such from the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are managed separately. Accordingly, the principal risks and uncertainties are discussed in the Group's annual report.

A principal risk of this holding company is the trading performance of its subsidiaries. Trading performance in the subsidiaries could create the need for impairment leading to a reduction in net assets and distributable reserves of the Company. The subsidiaries set performance targets for the year ahead and performance is reviewed regularly against these targets. Reasons for under performance are monitored and mitigating actions are taken. Investments are reviewed for impairment to ensure the appropriate carrying value in the holding company's Financial Statements.

Approved by the Board on 27/1/19 and signed on its behalf by:



Director
DAVID ROSS

Broker Network Holdings Limited

Directors' Report for the Year Ended 31 December 2018

The directors present their annual report and the audited financial statements for the year ended 31 December 2018.

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

A Erotocritou (appointed 2 March 2018)

M S Mugge (resigned 2 March 2018)

Dividends

The directors do not recommend a final dividend payment to be made in respect of the financial year ended 31 December 2018 (2017: £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 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 (2017: £Nil).

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 a period of at least 12 months from the date of approval of the financial statements. 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 within the "Going concern" section.

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.

Broker Network Holdings Limited

Directors' Report for the Year Ended 31 December 2018

Appointment of auditor

During the year ended 31 December 2017, 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, the proposed appointment of Deloitte LLP as external auditor for the financial year ended 31 December 2018. The auditor, Deloitte LLP, is deemed to be reappointed under section 487 (2) of the Companies Act 2006.

Approved by the board on and signed on its behalf by:

DAVID ROSS 27/4/2019

Director

Broker Network Holdings 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standards 101 ("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;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; 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 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.

Broker Network Holdings Limited

Independent Auditor's Report to the Members of Broker Network Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Broker Network Holdings Limited ("the Company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 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 20;

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".

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.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Broker Network Holdings Limited

Independent Auditor's Report to the Members of Broker Network Holdings Limited

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, 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.

Broker Network Holdings Limited

Independent Auditor's Report to the Members of Broker Network Holdings Limited

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

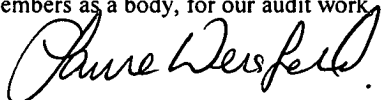
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, 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.

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.



JAMIE WEISFELD

~~Mark McIlquham~~ (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London

United Kingdom

Date: 27 September 2015

Broker Network Holdings Limited

Statement of Comprehensive Income for the Year Ended 31 December 2018

	Note	2018 £	2017 £
Turnover		-	-
Finance income		2,103	5,658
Finance costs		(2,933)	(7,739)
Net finance cost	5	(830)	(2,081)
Other gains	6	167,177	-
Loss on disposal of investment in subsidiary undertaking	7	(2,467,792)	-
Loss before tax		(2,301,445)	(2,081)
Income tax credit	10	1,675	-
Net loss for the year		(2,299,770)	(2,081)

The above results were derived from continuing operations.

The notes on pages 12 to 32 form an integral part of these financial statements.

Broker Network Holdings Limited

(Registration number: 05044510)

Statement of Financial Position as at 31 December 2018

	Note	2018 £	2017 £
Assets			
Non-current assets			
Property, plant and equipment	11	49,628	49,628
Investments in subsidiary undertakings	12	8,950,750	8,950,750
		<u>9,000,378</u>	<u>9,000,378</u>
Current assets			
Trade and other receivables	13	53,193,863	53,181,805
Income tax asset		158	-
		<u>53,194,021</u>	<u>53,181,805</u>
Total assets		<u>62,194,399</u>	<u>62,182,183</u>
Equity and liabilities			
Equity			
Called up share capital	14	314,084	314,084
Share premium reserve		2,328,428	2,328,428
Retained earnings		47,937,606	50,237,376
		<u>50,580,118</u>	<u>52,879,888</u>
Non-current liabilities			
Trade and other payables	16	30,000	30,000
Provisions	17	157,302	154,368
Deferred tax liabilities	10	8,437	-
		<u>195,739</u>	<u>184,368</u>
Current liabilities			
Trade and other payables	16	11,418,542	9,117,927
Total liabilities		<u>11,614,281</u>	<u>9,302,295</u>
Total equity and liabilities		<u>62,194,399</u>	<u>62,182,183</u>

Approved by the Board on and signed on its behalf by:

Director

DAVID ROSS

The notes on pages 12 to 32 form an integral part of these financial statements.

Broker Network Holdings Limited

Statement of Changes in Equity for the Year Ended 31 December 2018

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2018	314,084	2,328,428	50,237,376	52,879,888
Net loss for the year	-	-	(2,299,770)	(2,299,770)
At 31 December 2018	<u>314,084</u>	<u>2,328,428</u>	<u>47,937,606</u>	<u>50,580,118</u>

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2017	314,084	2,328,428	50,239,457	52,881,969
Net loss for the year	-	-	(2,081)	(2,081)
At 31 December 2017	<u>314,084</u>	<u>2,328,428</u>	<u>50,237,376</u>	<u>52,879,888</u>

The notes on pages 12 to 32 form an integral part of these financial statements.

Broker Network Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

1 Authorisation of financial statements

The Company is a private company limited by share capital incorporated and registered in England, United Kingdom. The Company's registered office is Hexagon House, Grimbald Crag Close, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ. 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 2018 were authorised for issue by the board on ~~27/9/2019~~ and the Statement of Financial Position was signed on the board's behalf by David Ross

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").

As a wholly owned subsidiary of The Ardonagh Group Limited, the Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group financial statements, and its results are included in the consolidated financial statements of its ultimate parent.

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

IFRS 9, IFRS 15 and other new standards are applicable for financial reporting periods starting on 1 January 2018 or later. These new standards did not have a material impact on the Company.

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:

- 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;

Broker Network Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

2 Accounting policies (continued)

- 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;
- 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.

Going Concern

The financial statements of the Company have been prepared on a going concern basis. At 31 December 2018 the Company had net assets of £50,580,118 (2017: £52,879,889) and net current assets of £41,775,479 (2017: £44,063,878). The net current assets include amounts receivable from related parties of £53,121,434 (2017: £53,111,481), and amounts due to related parties of £11,418,542 (2017: £Nil). The Company reported an operating loss of £2,299,770 for the year ended 31 December 2018 (2017: £2,081). The Company was one of a number of Group companies who at 31 December 2018 guaranteed bank and bond debt owed by Ardonagh Midco 3 Plc, an intermediate 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 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 2019 and 2020;
- the principal risks facing the Group and its systems of risk management and internal control; and
- Q1 2019 liquidity has tracked favourably to plan in line with management's expectations.

Broker Network Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

2 Accounting policies (continued)

Key assumptions that the Directors have made in preparing the base case cash flow forecasts are that the Group:

- Invests to complete the major business transformation projects involving the finance function and broker system consolidation and achieves the projected synergies.
- Continues to benefit from the Revolving Credit Facility of £120m, which is limited to £90m whilst the Letter of Credit ancillary facility of £50m remains in place. None of the available £90m Revolving Credit Facility was utilised at 31 December 2018.
- Settles the ETV liabilities over a 24-month period commencing Q3 2019.

Key stress scenarios considered in the base case are:

- A shortfall in base case projected operating cash flows due to adverse economic conditions, project over-spend and project delays.
- Deterioration in the quantum and acceleration of the settlement of the ETV liabilities compared to the base case.
- Mitigating actions within Management's control such as:
- Delayed capital expenditure and a 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.
- Raising additional debt, additional shareholder support, and the potential sale of non-core assets.

Following their assessment of the Company's and 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 from the date of approval of the financial statements. Therefore, the annual financial statements have been prepared on a going concern basis.

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.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting year. 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 Statement of Comprehensive Income when the asset is derecognised. At the reporting date, the Company's principal rate of depreciation was as follow:

Asset class	Depreciation rate
Land and buildings	0% per annum

Broker Network Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

2 Accounting policies (continued)

Investment in subsidiary undertakings

Investments in subsidiaries are held at cost less accumulated impairment losses.

Impairment of investments in subsidiary undertakings

Investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may exceed its recoverable amount. An impairment test is performed by comparing the investment's carrying amount with its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use, where its VIU is the present value of its future cash flows.

Broker Network Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

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 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 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 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 profit or loss. On derecognition of an investment in an equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. 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. 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.

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 has a current 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.

Broker Network Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

2 Accounting policies (continued)

Financial assets

Classification and subsequent measurement of financial assets

The Company classifies its financial assets in the following measurement categories:

- Amortised cost less impairment;
- 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 less impairment or fair value, depending on the classification of the financial assets.

Financial assets classified as amortised cost

Financial assets that meet the following conditions are subsequently measured at amortised cost less impairment:

- 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 and cash and cash equivalents.

These assets are held within a business model whose objective is to collect the contractual cash flows, and have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Thus, such assets are subsequently measured and carried at amortised cost in the Statement of Financial Position. The Company's trade receivables do not have a significant financing component and as such their transaction (invoiced) price is considered to be their amortised cost less impairment.

Financial assets classified as FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment as at FVTOCI on initial recognition.
- Debt instruments (including receivables) that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL.

Financial assets at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss to the extent they are not part of a designated hedging relationship. Interest earned on assets mandatorily required to be measured at FVTPL is recognised using a contractual interest rate. Dividend income from equity instruments measured at FVTPL 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). This is the ex-dividend date for listed equity securities, and usually the date when shareholders approve the dividend for unlisted equity securities.

Broker Network Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

2 Accounting policies (continued)

Financial liabilities

Financial liabilities are initially measured at fair value plus directly attributable transaction costs. The Company's financial liabilities are trade and other payables.

Trade and other payables represent amounts due to related parties. They are initially recognised at fair value and are subsequently measured at amortised cost.

Impairment of financial assets

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

The Company recognises lifetime ECL for loans and 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, 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.

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.

Broker Network Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

2 Accounting policies (continued)

Finance income and finance costs

The Company's finance income and finance costs include the unwind of discount on provisions and other receivables.

Interest income and expense are recognised using the effective interest method for debt instruments measured subsequently at amortised cost.

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.

Contingent consideration

Contingent consideration is measured at fair value on acquisition date and relates to either a deferred portion of the purchase price or relates to the future acquisition by the Company of a minority shareholding. Contingent consideration which is a deferred portion of the purchase price is measured at fair value at the date of acquisition and amended in future periods if the amount that is payable is determined to be different. Contingent consideration related to the future purchase of minority interests in fellow subsidiaries is valued according to an agreed calculation based on the results of the relevant company, this contingent consideration is revalued annually

Financial guarantees

Contracts meeting the definition of a financial guarantee are recognised at fair value under IFRS 9, or under IFRS 4 'Insurance Contracts' where the conditions required in order for it to be regarded 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.

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.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Broker Network Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

2 Accounting policies (continued)

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 intended 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 Statement of Comprehensive Income, 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.

Broker Network Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

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 judgements 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 liability as at 31 December 2018 is £8,437 (31 December 2017: £Nil), see note 10.

Key sources of estimation uncertainty

Impairment of assets

Investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may exceed its recoverable amount.

An impairment test is performed by comparing the investment's carrying amount with its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use, where its VIU is the present value of its future cash flows. An impairment test requires the application of significant judgement because it relies on key assumptions, including forecast cash flows, a discount rate, a terminal growth rate and an EBITDA multiple.

Broker Network Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

4 Operating profit

The audit fee of £7,344 (2017: £7,200) for the audit of this Company was paid by other Group entities for which no recharge was made.

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.

5 Finance income and finance cost

	2018	2017
	£	£
Finance income	2,103	5,658
Finance costs	<u>(2,933)</u>	<u>(7,739)</u>
Net finance cost	<u>(830)</u>	<u>(2,081)</u>

Finance income includes investment income which represents unwinding of discount calculated on other receivables (Note 13).

Finance costs include interest expense which represents unwinding of discount calculated on provisions (note 17).

6 Other gains

	2018	2017
	£	£
Other gains	<u>167,177</u>	<u>-</u>

Other gains include an intercompany balance written off due to the liquidation of Broker Network (Trustee) Limited.

Broker Network Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

7 Loss on disposal of investments in subsidiary undertakings

On 31 December 2018, the Company disposed of its interest in Oyster Risk Solutions Limited, which had a principal activity of broker networking.

	2018 £	2017 £
Loss from disposal of investments	<u>(2,467,792)</u>	<u>-</u>

Details of loss on disposal of Oyster Risk Solutions Limited

	£
Amount due to purchaser	(2,467,792)
Cost of investment written off	(240,000)
Provision for impairment written off	240,000
Total loss on disposal	<u><u>(2,467,792)</u></u>

8 Staff costs

The Company had no employees in the current year or the preceding year. All administration is performed by employees of the Group, for which no recharge is made to the Company.

9 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.

Directors' emoluments of £Nil (2017: £10,000) for the services provided to the Company have been paid by other Group companies, which make no recharge to the Company.

Broker Network Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

10 Income tax

Tax charged in the Statement of Comprehensive Income:

	2018 £	2017 £
Current taxation		
UK corporation tax	(158)	-
UK corporation tax adjustment to prior periods	<u>(9,954)</u>	<u>-</u>
	(10,112)	-
Deferred taxation		
Arising from origination and reversal of temporary differences	<u>8,437</u>	<u>-</u>
Tax credit in the Statement of Comprehensive Income	<u><u>(1,675)</u></u>	<u><u>-</u></u>

The differences are reconciled below:

	2018 £	2017 £
Loss before tax	<u>(2,301,445)</u>	<u>(2,081)</u>
Corporation tax at standard rate	(437,275)	(401)
Increase in current tax from adjustment for prior periods	(9,954)	-
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	(31,763)	-
Increase in current tax from unrecognised temporary difference from a prior period	8,437	354
Tax expense relating to changes in tax rates or laws	-	47
Chargeable gains	<u>468,880</u>	<u>-</u>
Total tax credit	<u><u>(1,675)</u></u>	<u><u>-</u></u>

A reduction in the UK corporation tax rate to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This reduction, from the existing rate of 19%, will reduce the Company's future current tax charge/credit accordingly. The deferred tax assets and liabilities below have been calculated using these rates.

Broker Network Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

10 Income tax (continued)

Deferred tax

Deferred tax assets and liabilities

2018	Asset £	Liability £
Accelerated tax depreciation	<u>-</u>	<u>8,437</u>

Deferred tax movement during the year:

	At 1 January 2018 £	Recognised in income £	At 31 December 2018 £
Accelerated tax depreciation	<u>-</u>	<u>8,437</u>	<u>8,437</u>

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

Deferred tax movement during the prior year:

	At 1 January 2017 £	At 31 December 2017 £
Accelerated tax depreciation	<u>-</u>	<u>-</u>

There are £16,035 of unused tax losses (2017: £Nil) for which no deferred tax asset is recognised in the Statement of Financial Position.

Broker Network Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

11 Property, plant and equipment

	Land and buildings £
Cost or valuation	
At 1 January 2018	49,628
At 31 December 2018	49,628
Carrying amount	
At 31 December 2018	49,628
At 31 December 2017	49,628

A dilapidations asset arose in the prior year as the Company changed the rate of discount which increased the dilapidation provision. There is no depreciation for the current year.

12 Investments in subsidiary undertakings

	£
Cost or valuation	
At 1 January 2018	11,895,915
Disposals	(240,000)
At 31 December 2018	11,655,915
Provision for impairment	
At 1 January 2018	2,945,165
Eliminated on disposals	(240,000)
At 31 December 2018	2,705,165
Carrying amount	
At 31 December 2018	8,950,750
At 31 December 2017	8,950,750

On 24 December 2018 the Company disposed of its 87.5% shareholding in Oyster Risk Solutions Limited and agreed to pay the purchaser £2,467,792.

For all other investments, the recoverable amount exceeded the respective carrying value and no impairment was necessary for the year ended 31 December 2018.

Broker Network Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

12 Investments in subsidiary undertakings (continued)

Details of the subsidiaries as at 31 December 2018 are as follows.

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2018	2017
Broker Network Insurance Brokers Limited	Dormant	England	100%	100%
Townfrost Limited	Dormant	England	100%	100%
Broker Network (Trustee) Limited*	Dormant	England	100%	100%

The registered office address of the above subsidiaries is Hexagon House, Grimbald Crag Close, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ.

*The registered office address for Broker Network (Trustee) Limited is 15 Canada Square, London, E14 5GL.

13 Trade and other receivables

	2018	2017
	£	£
Receivables from other Group companies	53,121,435	53,111,480
Other receivables	<u>72,428</u>	<u>70,325</u>
Total current trade and other receivables	<u>53,193,863</u>	<u>53,181,805</u>

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

Broker Network Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

14 Share capital

Allotted, called up and fully paid shares

	2018		2017	
	No.	£	No.	£
Ordinary shares of £0.02 each	15,704,224	314,084	15,704,224	314,084

15 Obligations under leases and hire purchase contracts

Operating leases

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

	2018	2017
	£	£
Within one year	364,739	504,023
In two to five years	1,404,983	2,016,092
In over five years	-	429,455
	<u>1,769,722</u>	<u>2,949,570</u>

Under the lease agreements, there is no contingent rent payable and there are no restrictions imposed by these lease arrangements. Renewal terms will be considered on a lease by lease basis.

Broker Network Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

16 Trade and other payables

	2018 £	2017 £
Non-current trade and other payables		
Contingent consideration	<u>30,000</u>	<u>30,000</u>
	2018 £	2017 £
Current trade and other payables		
Amounts due to other Group companies	<u>11,418,542</u>	<u>9,117,927</u>

The contingent consideration relates to amounts payable in respect of put and call agreements over the shares of Oyster Risk Solutions Limited.

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

17 Provisions

	Dilapidations £
At 1 January 2018	154,368
Increase due to passage of time or unwinding of discount	<u>2,934</u>
At 31 December 2018	<u>157,302</u>
Non-current liabilities	<u>157,302</u>

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

Dilapidations 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.

Broker Network Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

18 Commitments

Guarantees

On 25 May 2017, Ardonagh Midco 3 plc, a newly incorporated intermediate holding company, entered into a £90.0m super senior 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 (together, the Notes). On 22 June 2017, the £425.0m Senior Secured Notes and £75.0m floating rate super Senior Secured Notes issued by the Company 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 (ETV) products. While the Letter of Credit ancillary facility remains in place the commitments under the RCF that may actually be utilized are contractually limited to £90.0m (excluding the Letter of Credit ancillary facility). Permissible RCF drawings are further limited by the terms of the Group's overall credit facility arrangement. The RCF facility had not been utilised at 31 December 2018 (31 December 2017: £30.0m utilised).

On 19 November 2018, Ardonagh Midco 3 plc issued an additional USD235.0m of 8.625% Senior Secured Notes.

The obligations of Ardonagh Midco 3 plc under the Notes, RCF, and the subsequently issued additional 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 Finco 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 Midco 2 plc

Broker Network Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

18 Commitments (continued)

Nevada Investments 1 Limited	Ardonagh Services Limited (formally 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
Nevada Investments 5 Limited	Price Forbes & Partners Limited
Nevada Investments 6 Limited	Price Forbes Holdings Limited
Nevada Investments 7 Limited	URIS Group Limited
Arista Insurance Limited	Millennium Insurance Brokers Limited
Broker Network Holdings Limited	URIS Central Administration Limited (formerly Direct Newco Limited)
CCV Risk Solutions Limited	URIS Topco Limited (formerly Direct Group 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	Towergate Insurance Broking Holdings Limited
Lunar 101 Limited	Ardonagh Specialty Holdings Limited
Bishopsgate Insurance Brokers Limited	Swinton Group Limited
Atlanta Investment Holdings Limited	Swinton (Holdings) Limited
Atlanta Investment Holdings A Limited	Swinton Properties Limited
Atlanta 1 Insurance Services Limited (formerly Autonet Insurance Services Limited)	KDB Medicals Limited
Carole Nash Insurance Consultants Limited	Health and Protection Solutions Limited (became an additional

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

19 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.

Broker Network Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

20 Parent and ultimate parent undertaking

The Group's majority shareholder and controlling party is HPS Investment Partners LLC. At 31 December 2018, the ultimate parent company was The Ardonagh Group Limited (incorporated in Jersey, registered office address 44 Esplanade, St Helier, Jersey JE4 9WG). The Ardonagh Group Limited is the largest group in which the results are consolidated. The parent company of the smallest group, which includes the Company and for which group financial statements are prepared, is Ardonagh Midco 3 plc, a company incorporated in Great Britain. Financial statements for The Ardonagh Group Limited and Ardonagh Midco 3 plc are available on request from:

1 Minster Court
Mincing Lane
London
EC3R 7AA