Registration number: 05044510

# Broker Network Holdings Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019

# Broker Network Holdings Limited

## Contents

# Broker Network Holdings Limited

## Company Information

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

# Broker Network Holdings Limited

## Strategic Report for the Year Ended 31 December 2019

The directors present their Strategic Report for the year ended 31 December 2019 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").

**Principal activity 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 (2018: £Nil) and profit before tax of £137,678 (2018: loss £2,301,445) for the year. At 31 December 2019 the Company had net assets of £50,696,403 (2018: £50,580,118). The Going concern note (part of accounting policies) on page 14 sets out the reasons why the directors continue to believe that the preparation of the financial statements on the going concern basis is appropriate.

**Outlook**

The directors do not expect there to be any changes in the nature of the business in 2020.

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 Broker Network Holdings Limited. Consideration of the financial risk and future impact can be found in the 'Going concern' disclosure in note 2.

**Key performance indicators**

The directors of the Group manage operations on a segmental 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 the 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**

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.

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 has 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.

*General Data Protection Regulation*
The Company's computer systems store information about its 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 we maintain in our 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 year 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 04/11/2020 and signed on its behalf by:

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D Cougill
Director

# 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:

A Erotocritou (resigned 1 October 2019)

D C Ross

D Cougill (appointed 1 October 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'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. Further details of this assessment can be found in note 2 to these financial statements.

As further described in the subsequent events note, on 14 July 2020, the Group issued new borrowings, which it used to repay its existing borrowings and to fund acquisitions. The Directors' going concern assessment takes into account these new financing arrangements and latest forecasts for the enlarged group.

**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. Further details of this assessment and the potential impact of Covid-19 can be found in note 2 and note 22 to these financial statements.

**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 04/11/2020 and signed on its behalf by:

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D Cougill

Director

## Broker Network Holdings Limited

## Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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 responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of 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 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 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 22.

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.

**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.

# Independent Auditor's Report to the Members of Broker Network Holdings Limited (continued)

**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. This description forms part of our auditor's report.

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

In the light of the knowledge and understanding of the 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.

## Independent Auditor's Report to the Members of Broker Network Holdings Limited (continued)

**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.

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

Date: 04/11/2020

# Broker Network Holdings Limited

## Statement of Comprehensive Income for the Year Ended 31 December 2019

| | Note | 2019 £ | 2018 £ |
|---|---|---|---|
| Administrative expenses | | 158,034 | - |
| **Operating profit/(loss)** | | 158,034 | - |
| (Loss)/gain on disposal of assets | 6 | (49,628) | 167,177 |
| Gain/(loss) on disposal of investments in subsidiary undertakings | 7 | 30,000 | (2,467,792) |
| Finance income | | 4 | 2,103 |
| Finance costs | | (732) | (2,933) |
| Net finance cost | 5 | (728) | (830) |
| **Profit/(loss) before tax** | | 137,678 | (2,301,445) |
| Income tax (charge)/credit | 10 | (21,393) | 1,675 |
| **Net profit/(loss) for the year** | | 116,285 | (2,299,770) |

The above results were derived from continuing operations.

# Broker Network Holdings Limited

## (Registration number: 05044510)
## Statement of Financial Position as at 31 December 2019

| | Note | 2019 £ | 2018 £ |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | - | 49,628 |
| Investments in subsidiary undertakings | 13 | 8,950,750 | 8,950,750 |
| | | 8,950,750 | 9,000,378 |
| **Current assets** | | | |
| Trade and other receivables | 14 | 54,230,333 | 53,193,863 |
| Income tax asset | | 556 | 158 |
| Cash and cash equivalents | 15 | 7,088 | - |
| | | 54,237,977 | 53,194,021 |
| **Current liabilities** | | | |
| Trade and other payables | 16 | (11,445,401) | (11,418,542) |
| Lease liabilities | 12 | (338,392) | - |
| | | (11,783,793) | (11,418,542) |
| **Net current assets** | | 42,454,184 | 41,775,479 |
| **Total assets less current liabilities** | | 51,404,934 | 50,775,857 |
| **Non-current liabilities** | | | |
| Trade and other payables | 16 | - | (30,000) |
| Lease liabilities | 12 | (708,032) | - |
| Provisions | 17 | - | (157,302) |
| Deferred tax liabilities | 10 | (499) | (8,437) |
| | | (708,531) | (195,739) |
| **Net assets** | | 50,696,403 | 50,580,118 |
| **Capital and reserves** | | | |
| Share capital | 18 | 314,084 | 314,084 |
| Share premium reserve | | 2,328,428 | 2,328,428 |
| Retained earnings | | 48,053,891 | 47,937,606 |
| | | 50,696,403 | 50,580,118 |

Approved by the Board on 04/11/2020 and signed on its behalf by:

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D Cougill
Director

# Broker Network Holdings Limited

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

| | Share capital £ | Share premium £ | Retained earnings £ | Total £ |
|---|---|---|---|---|
| At 1 January 2019 | 314,084 | 2,328,428 | 47,937,606 | 50,580,118 |
| Net profit for the year | - | - | 116,285 | 116,285 |
| At 31 December 2019 | 314,084 | 2,328,428 | 48,053,891 | 50,696,403 |

| | 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 | 314,084 | 2,328,428 | 47,937,606 | 50,580,118 |

## 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 address can be found on page 1. The principal activity of the Company is disclosed on page 2 within the 'Strategic Report'.

These financial statements for the year ended 31 December 2019 were authorised for issue by the Board on 04/11/2020 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'.

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.

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 22.

**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;

• 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.

**Going Concern**

As shown in account note 21, the Company is a member of a group ("the Group") of which The Ardonagh Group Limited ("TAGL") is the ultimate parent company and the highest level at which results are consolidated.

The financial statements of the Company have been prepared on a going concern basis. At 31 December 2019 the Company had net assets of £50,696,403 (2018: £50,580,118) and net current assets of £42,454,184 (2018: £41,775,479). The net current assets include amounts receivable from related parties of £54,157,904 (2018: £53,121,435), and amounts due to related parties of £11,438,317 (2018: £11,418,542). The Company reported an profit before tax of £137,678 for the year ended 31 December 2019 (2018: loss of £2,301,445). 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 intermediate holding company in the Group.

The directors consider 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 making the going concern assessment the directors have taken into account the following:

• The current capital structure and liquidity of the Company and the Group, as well as the assessment that the Group continues to be a going concern.

• The Group manages its cash and funding requirements on a Group-wide basis.

## 2 Accounting policies (continued)

• The source of funding of the Group includes £1.975 billion of debt in the form of $500m (£400m) of Senior Unsecured Notes and £1.575 billion of private borrowings with maturity dates of 6 years. The guarantor obligations are joint and several obligations of all of the guarantors and this means that when there is a requirement to repay the borrowed funds, the lender may also call upon the guarantors as a whole, as well as each of them severally, to do so.
• The principal risks facing the Company and the Group, including the potential financial and operational impacts of covid-19, and its systems of risk management and internal control.
• The Group has assessed that it has sufficient liquidity to withstand a period of potential poor trading resulting from a sustained impact of Covid-19. The Group had available liquidity of £181.7m at 31 December 2019 and closely monitors available liquidity on an ongoing basis.
• The Group is largely insulated from currency FX volatility.
The Group has access to a Revolving Credit Facility ("the Group's RCF"). The Group's RCF facility capacity is £191.5m that is undrawn.

Key stress scenarios that TAGL considered as part of its 2019 Going Concern assessment include cumulative stresses to the Group's base plan of a net reduction in cashflow of over £100m in 2020 and further reductions in 2021. TAGL's Going Concern stress testing indicated that revenue would need to decline by over 30% compared to base case in each of the next 6 quarters, offset by slightly higher discretionary cost cuts and headcount reductions (but still assuming that the cost base does not reduce at the same speed as income) to reach our liquidity limits. The Directors of TAGL considered these stress conditions to be a remote scenario.

Further details can be found in the 2019 Annual Report and Financial Statements of The Ardonagh Group Ltd, which is published on its website.

The directors of the Company have also considered the wider operational consequences and ramifications of the Covid-19 pandemic.

• Business Continuity Plans are in place across the Company's offices, with measures to manage employee absences, access to other offices, the efficiency and stability of the Company's infrastructure and the ability for home working for a significant portion of the 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 further described in the subsequent events note, on 14 July 2020, the Group issued new borrowings, which it used to repay its existing borrowings and to fund acquisitions. The Directors' going concern assessment takes into account these new financing arrangements and latest forecasts for the enlarged group.

Following the assessment of the Company's ability to meet its obligations as and when they fall due and the Group's financial position and liquidity, including the potential financial implications of the Covid-19 pandemic included in Group stress tests, and the wider operational consequences and ramifications of the pandemic, the directors are not aware of any material uncertainties that cast significant doubt on the Company's ability to continue as a going concern.

## 2 Accounting policies (continued)

### 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.

**Impact**

**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.

**Leasee 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

### 2 Accounting policies (continued)

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; or
• 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.

**Lessor accounting**
Lessor accounting as required by IFRS 16 is substantively unchanged from that required by IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those in IAS 17.

**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:

| | Note | £ |
|---|---|---|
| **Assets** | | |
| Right of use assets | | - |
| Trade and other receivables | 14 | 1,262,958 |
| | | 1,262,958 |
| **Liabilities** | | |
| Lease liabilities | 12 | (1,262,958) |
| Trade and other payables | | - |
| | | (1,262,958) |

## 2 Accounting policies (continued)

The weighted average incremental borrowing rate applied to lease liabilities recognised in the Statement of Financial Position at the date of initial application is 13.5%.

**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.

***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.

## 2 Accounting policies (continued)

**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 |

**Investments in subsidiary**
A subsidiary is an entity over which the Company has control. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Investments in subsidiaries are accounted for at cost less, where appropriate, impairment.

**Impairment of investment**
The carrying amount of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

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

*Calculation of recoverable amount*
An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs 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.

## 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.

### 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.

**2 Accounting policies (continued)**

*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.

**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.

**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.

**2 Accounting policies (continued)**

**Provisions**

Provisions are 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 Group discount rate used to calculate the present value of provisions was amended to reflect the risk-free rate.

**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 cost directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**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 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.

## 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 2019 is £499 (31 December 2018: £8,437), see note 10.

**Key sources of estimation uncertainty**
**Impairment of investments**
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. An impairment test requires the application of significant judgement because it relies on key assumptions, including revenue and an EBITDA multiple.

## 4 Operating profit

The audit fee of £7,564 (2018: £7,344) 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 Net finance cost

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Finance income | 4 | 2,103 |
| Finance costs | (732) | (2,933) |
| Net finance cost | (728) | (830) |

Finance income includes investment income which represents interest on deposits and unwinding of discount calculated on other receivables.

## 5 Net finance cost (continued)

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

## 6 (Loss)/Gain on disposal of assets

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| (Loss) / gain on disposal of property, plant and equipment | (49,628) | 167,177 |

In 2019, a loss of £49,628 was incurred on the disposal of land and building, see note 11 and in 2018, gains include an intercompany balance written off due to the liquidation of Broker Network (Trustee) Limited.

## 7 Gain/(loss) on disposal of investment in subsidiary undertakings

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Amount due to purchaser | - | (2,467,792) |
| Cost of investment written off | - | (240,000) |
| Provision for impairment written off | - | 240,000 |
| Gain on disposal of contingent consideration | 30,000 | - |
| **Total gain/(loss) on disposal** | 30,000 | (2,467,792) |

On 31 December 2018, the Company disposed of its interest in Oyster Risk Solutions Limited which resulted in a loss of £2,467,792. During the current financial year, the contingent consideration relating to Oyster Risk Solutions Limited has been written off resulting in a gain of £30,000 being recognised in the statement of comprehensive income.

## 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.

## 10 Income tax

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

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| **Current taxation** | | |
| UK corporation tax | 29,888 | (158) |
| UK corporation tax adjustment to prior periods | (557) | (9,954) |
| | 29,331 | (10,112) |
| **Deferred taxation** | | |
| Arising from origination and reversal of temporary differences | (8,436) | 8,437 |
| Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods | 498 | - |
| Total deferred taxation | (7,938) | 8,437 |
| Tax charge/(credit) in the Statement of Comprehensive Income | 21,393 | (1,675) |

The differences are reconciled below:

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Profit/(loss) before tax | 137,678 | (2,301,445) |
| Corporation tax at standard rate of 19% (2018: 19%) | 26,159 | (437,275) |
| Expenses not deductible for tax purposes | (5,700) | (31,763) |
| Chargeable gains | - | 468,880 |
| Adjustments to tax charge in respect of previous periods - current tax | (557) | (9,954) |
| Adjustments to tax charge in respect of previous periods - deferred tax | 498 | - |
| Tax expense relating to changes in tax rates or laws | 993 | - |
| Deferred tax expense/(credit) from unrecognised tax loss or credit | - | 8,437 |
| Total tax charge/(credit) | 21,393 | (1,675) |

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%.

**10 Income tax (continued)**

**Deferred tax**

Deferred tax assets and liabilities

| **2019** | **Liability** £ |
|---|---|
| Accelerated tax depreciation | - |
| Provisions | (499) |
| | (499) |

| **2018** | **Liability** £ |
|---|---|
| Accelerated tax depreciation | (8,437) |
| Provisions | - |
| | (8,437) |

Deferred tax movement during the year:

| | **At 1 January 2019** £ | **Recognised in income** £ | **At 31 December 2019** £ |
|---|---|---|---|
| Accelerated tax depreciation | (8,437) | 8,437 | - |
| Provisions | - | (499) | (499) |
| Net tax assets | (8,437) | 7,938 | (499) |

Deferred tax movement during the prior year:

| | **At 1 January 2018** £ | **Recognised in income** £ | **At 31 December 2018** £ |
|---|---|---|---|
| Accelerated tax depreciation | - | (8,437) | (8,437) |
| Provisions | - | - | - |
| Net tax assets | - | (8,437) | (8,437) |

### 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%. 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 £59 higher.

In addition to the amount disclosed above, the Company has potential deferred tax assets at 31 December 2019 of £16,035 (2018: £16,035) in relation to tax losses totalling £94,324 (2018: £94,324). 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 Property, plant and equipment

| | Land and buildings £ |
|---|---|
| **Cost or valuation** | |
| At 1 January 2019 | 49,628 |
| Disposals | (49,628) |
| At 31 December 2019 | - |
| **Carrying amount** | |
| At 31 December 2019 | - |
| At 31 December 2018 | 49,628 |

## 12 Leases

The Company applied IFRS 16 from 1 January 2019. The majority of the Company's leases are for UK properties and these leases typically run for a period of 5-10 years. Rent is normally fixed but may be subject to review every few years. Service charges and other contractual payments to the lessor are excluded from the measurement of the lease liability. VAT (including where it is irrecoverable) and business rates are also excluded from the measurement of the lease liability as they do not constitute a lease payment under IFRS 16.

The table below provides a schedule of the movements in the carrying amount of the right-of-use assets and corresponding lease liabilities held on the Statement of Financial Position during the year ended 31 December 2019.

| | Property | Non-Property | Total | Lease Liabilities |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **At 1 January 2019** | - | - | - | (1,262,958) |
| Interest expense | - | - | - | (148,202) |
| Lease payments | - | - | - | 364,736 |
| **At 31 December 2019** | - | - | - | (1,046,424) |
| Current lease liabilities | | | | (338,392) |
| Non-current lease liabilities | | | | (708,032) |
| **Total lease liabilities** | | | | (1,046,424) |

The Company incurred no expenditure relating to variable lease payments not included in the measurement of the lease liability.

During the year ended 31 December 2019, the total cash outflows for leases was £364,736.

**Maturity analysis**
The total future values of undiscounted lease liabilities are as follows:

| | 2019 |
|---|---|
| | £ |
| Within one year | 364,736 |
| In one to five years | 950,812 |
| In over five years | - |
| | 1,315,548 |

## 13 Investments in subsidiary undertakings

| | £ |
|---|---|
| **Cost or valuation** | |
| At 1 January 2019 | 11,655,915 |
| At 31 December 2019 | 11,655,915 |
| **Provision for impairment** | |
| At 1 January 2019 | 2,705,165 |
| At 31 December 2019 | 2,705,165 |
| **Carrying amount** | |
| At 31 December 2019 | 8,950,750 |
| At 31 December 2018 | 8,950,750 |

For all other investments, the recoverable amount exceeded the respective carrying value and no impairment was necessary for the year ended 31 December 2019.

Details of the subsidiaries as at 31 December 2019 are as follows.

| Name of subsidiary | Principal activity | Country of incorporation and principal place of business | Proportion of ownership interest and voting rights held 2019 | 2018 |
|---|---|---|---|---|
| Broker Network Insurance Brokers Limited | Dormant | England | 100% | 100% |
| Townfrost 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.

## 14 Trade and other receivables

| | 2019 £ | 2018 £ |
|---|---|---|
| Receivables from other Group companies | 54,157,904 | 53,121,435 |
| Other receivables | 72,429 | 72,428 |
| Total current trade and other receivables | 54,230,333 | 53,193,863 |

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<br>£ | 2018<br>£ |
|---|---|---|
| Own funds - restricted | 7,088 | - |

Own funds are considered restricted and not available to pay the general debts of the Company.

## 16 Trade and other payables

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| **Non-current trade and other payables** | | |
| Deferred consideration | - | 30,000 |

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| **Current trade and other payables** | | |
| Amounts due to other Group companies | 11,438,317 | 11,418,542 |
| Other payables | 7,084 | - |
| | 11,445,401 | 11,418,542 |

On 31 December 2018, the Company disposed of its interest in Oyster Risk Solutions Limited and during the current financial year, the contingent consideration related to Oyster Risk Solutions Limited has been written off.

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

## 17 Provisions

| | Dilapidations<br>£ |
|---|---|
| At 1 January 2019 | 157,302 |
| Unwind of discount | 732 |
| Unused provision reversed | (158,034) |
| At 31 December 2019 | - |

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

## 18 Share capital

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

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | No. | £ | No. | £ |
| Ordinary shares of £0.02 each | 15,704,224 | 314,084 | 15,704,224 | 314,084 |

The Ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

## 19 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. 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. As at 31 December 2019, the RCF facility capacity was £120m and undrawn.

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 Finco plc |
| Nevada Investment Holdings 5 Limited | Morgan Law Limited |

**19 Commitments (continued)**

| | |
|---|---|
| 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 |
| 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 |
| 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 | Swinton Group Limited |
| Atlanta Investment Holdings Limited | Swinton (Holdings) Limited |
| Atlanta Investment Holdings A Limited | Swinton Properties Limited |
| Atlanta 1 Insurance Services Limited | KDB Medicals Limited |
| Carole Nash Insurance Consultants Limited | Health and Protection Solutions Limited |

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

**20 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.

## 21 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

## 22 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).

On 14 July 2020, the Group issued new borrowings, which it used to repay its existing borrowings and to fund acquisitions. The existing borrowings included the existing senior secured notes and the revolving credit facility, the repayment of which released the Group from the associated security. The new borrowings include $500m senior unsecured notes, a senior secured term loan facility of £1,575m comprising £1,412.8m denominated in pound sterling and €180m denominated in euro, and a £191.5m revolving credit facility that is not drawn at the date of this report. The Group completed the purchase of the entire issued share capital of Nevada 5 Topco Limited (an indirect parent of Arachas Topco Limited) on 14 July 2020, for a consideration of €135,781,781.51 cash. The Group also completed the purchase of the entire issued share capital of Nevada 4 Midco 1 Limited (the parent of Bravo Investment Holdings Limited) on 14 July 2020, for a consideration of £39,794,109.14 cash. The new borrowings have also been used to fund the acquisition of Bennetts Motorcycling Services Limited.