

SWINTON GROUP LIMITED  
Annual Report and Financial Statements  
FOR THE YEAR ENDED 31 DECEMBER 2018



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**DIRECTORS:**

C D Ball  
J Deakin  
S S Kennedy

**COMPANY SECRETARY:**

D Clarke

**REGISTERED OFFICE:**

Embankment West Tower  
101 Cathedral Approach  
Salford  
M3 7FB

**INDEPENDENT AUDITORS:**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
No 1 Spinningfields  
Hardman Square  
Manchester  
M2 3EB

**BANKERS:**

Lloyds Bank plc  
City Office  
11-15 Monument Street  
London  
EC2V 9JA

**COMPANY NUMBER:**

756681 England

## BACKGROUND

Swinton Group Limited (the "Company") is an insurance intermediary that offers a range of insurance products from a panel of UK insurers covering car, bike, home, commercial, taxi and caravan insurance, plus services such as breakdown and home emergency cover. The Company operates an omni-channel distribution model via the internet, contact centre & specialist units.

## REVIEW OF PERFORMANCE

During the year the Company continued with its strategic investment, including the completion of the replacement of the core broking platform, digital transformation in line with customer demand, technology automation and simplification and further re-shaping of the Distribution network. A total of 55 branches were closed in 2018 (96 branch closures in 2017).

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

	2018 £'000	2017 £'000
Turnover*	127,101	168,729
Operating (loss)/profit before exceptional items*	(284)	11,586
Operating loss*	(29,894)	(32,969)
Loss for the financial year*	(29,163)	(32,607)
Total shareholders' funds	139,047	168,204
Total number of trading branches and call centres**	56	111
Number of live policies (includes add on products)**	1.4 million	1.6 million
Number of live core policies**	0.9 million	1.0 million

\* 2018 figures include £12.6m reduction in income following change in accounting estimates (see below)

\*\* As at 31 December

The market continued to remain very competitive in 2018, with lower volumes being the main driver of a reduction in turnover, as consumers continue to move away from the traditional offline sales channels to the more price competitive online channels. Volumes were also impacted by the adoption of a simplified (narrower) product set combined with proactively focusing on profitable business acquisition over volume. Turnover has been impacted by a change in accounting estimates relating to updated assumptions incorporated into the valuation of monthly products, resulting in an income reduction of £12,620,000 (see note 4d).

One off costs amounting to £29,610,000 (2017: £44,555,000) have been incurred in relation to the Company's ongoing strategy and other one off items (see note 7). These included consultancy costs, redundancy costs and costs incurred in exiting properties following branch closures, IT related spend and regulatory related costs. Operating costs, excluding such one off strategic items continue to reduce year on year under strong cost management. The table below sets out operating profit/(loss) pre and post exceptional items:

	2018 Pre exceptional £'000	2018 Exceptional £'000	2018 Reported £'000	2017 Pre exceptional £'000	2017 Exceptional £'000	2017 Reported £'000
<b>TURNOVER</b>	127,673	(572)	127,101	170,312	(1,583)	168,729
Other operating income	-	-	-	1,891	-	1,891
Administrative expenses	(127,957)	(29,038)	(156,995)	(160,617)	(42,972)	(203,589)
Disposal of operations	-	-	-	-	-	-
<b>OPERATING (LOSS)/PROFIT</b>	(284)	(29,610)	(29,894)	11,586	(44,555)	(32,969)

## GROUP OWNERSHIP

On 31 December 2018, The Ardonagh Group Limited acquired the Swinton Group from MMA Holdings Limited.

## PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Company are classed as financial, strategic, conduct and regulatory and operational risks.

### Financial Risks

The Company manages liquidity risk through regular cash flow forecasts and monitoring. During the year, the Company put in place a financing arrangement with a third party whereby Personal Lines insurance debtor balances are sold (with recourse to the Company). At the reporting date this financing arrangement provided £72m to the Company.

In accordance with the Financial Reporting Council's 'Going Concern and Liquidity Risk: Guidance for Directors', the directors have considered the adequacy of the Company's borrowing facilities, and performed sensitivity analysis around the Company's future compliance with its borrowing limits and related covenants. Having performed this assessment of the Company's liquidity and going concern position, the directors consider that there are no material uncertainties that may cast doubt about the Company's ability to continue as a going concern.

The Company provides credit to customers in connection with the arrangement of insurance contracts. Company policies are aimed at minimising exposure to losses arising from customers defaulting under these credit arrangements. The Company actively monitors overdue debt and has procedures in place to minimise exposure in the event of default. Credit facilities are only offered to customers for the payment of insurance policies arranged by the Company. Under these arrangements the Company retains the right to set off any returned premium due from the insurer on cancellation of a policy against the original loan.

The Company's objectives when managing capital are to safeguard the ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure to ensure an optimal cost of capital. The amount of capital currently held far exceeds the minimum regulatory requirement.

### Strategic Risks

The Company operates in a highly competitive market which has changed in structure substantially over recent years with the entry of many major retailers, a reduction in the number of small brokers and the further development of internet trading. The Company is actively addressing these business challenges through the ongoing strategy to remove complexity, reduce costs and deliver excellent customer service and value.

### Conduct and Regulatory Risks

The Company falls under the regulatory regime of the Financial Conduct Authority (FCA) and must meet the operational, financial and reporting requirements of that Authority. These include capital adequacy (the requirement being a minimum of 5% of prior year income) and other financial requirements together with a range of customer facing obligations under the general requirement of 'Treating Customers Fairly'. The Company has a Risk and Compliance function which has established and oversees a conduct risk management framework, which is part of an enterprise risk management framework, and liaises with the FCA on regulatory matters. Work has been undertaken during 2018 to further strengthen the conduct risk framework and prepare for the Senior Managers & Certification Regime (SMCR) which becomes mandatory for insurance intermediaries in 2019.

### Operational risks

Like most businesses, implementation of our strategy relies on a sufficient number of suitably skilled people, operation of compliant processes and technology which is fit for purpose. The Company has established processes and procedures for managing such operational risks. Assurance on the effectiveness of controls is gained from the work performed by financial and operational audit teams.

### By Order of the Board

S S Kennedy  
Director  
16 May 2019



The directors submit their report and the audited financial statements of the Company for the year ended 31 December 2018.

## PRINCIPAL ACTIVITIES

The Company's principal activities during the year continued to be operating as an insurance intermediary.

## DIRECTORS

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

A Crawford-Ingle	(resigned 31 December 2018)
A Chaumeret	(resigned 31 December 2018)
D R Harding	(resigned 31 December 2018)
A J Machin	(resigned 31 December 2018)
C Moat	(resigned 31 December 2018)
G Normand	(resigned 3 October 2018)
J Roncoroni	(resigned 31 December 2018)
C L Salmon	(resigned 31 December 2018)
C D Ball	(appointed 31 December 2018)
J Deakin	(appointed 31 December 2018)
S S Kennedy	(appointed 3 October 2018)

## RESULTS AND DIVIDEND

The results for the year are set out in the statement of comprehensive income on page 10. The directors declared and paid dividends of £Nil in the year (2017: £Nil).

## OUTLOOK AND FUTURE READING

Across the industry, the number of customers who use a branch continues to fall year on year and at present fewer than 10% of Swinton customers use this channel. In contrast, more than 80% of insurance is now purchased online.

As a result, the Company is looking to close the branch network to ensure there is a structure in place that gives customers, colleagues and stakeholders confidence in the future business model. It is expected that by mid-2019 all branches, excluding certain Commercial Units and Specialist Centres, will be closed, with a consequential reduction in staff numbers.

On 31 December 2018 The Ardonagh Group Limited acquired the Swinton Group from MMA Holdings Limited. The Ardonagh Group Limited are one of the UK's leading independent insurance brokers with nearly 7,000 employees and a combined income of more than £750m in 2017.

The next 12 months will see refinement of the Company's strategy and execution in line with its wider digital, technological and distribution transformation which is close to completion. Further, the Company will align itself to The Ardonagh Group Limited from an operational, oversight and governance perspective. This will enable the Company to operate more effectively and efficiently under continued competition and increased regulatory pressures.

## GOING CONCERN

The Directors believe that the Company is well placed to manage the risks facing it. After making enquiries, the Directors are satisfied that the Company has adequate resources for the at least 12 months from the date of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

## EQUAL OPPORTUNITIES

Swinton Group Limited is committed to providing an environment in which everyone is treated equally and where individual success depends solely on personal ability and contribution. Promoting and supporting diversity in the workplace is important as we value everyone in the organisation as an individual. This is a key philosophy of the Company.

## **EMPLOYEE INVOLVEMENT**

The Company places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and takes steps to keep them informed of the factors affecting the performance of the Company. Employees have access to the Company's intranet site and a monthly briefing process exists to ensure effective internal communications and to provide a vehicle for employees' feedback and contributions. Employees are eligible to participate in a bonus scheme and to share in Swinton's success as measured by a balanced scorecard.

## **RISK MANAGEMENT**

All of Swinton's employees are responsible for risk management, with ultimate responsibility resting with the Board. Responsibility and accountability for managing risk is shared across all business units and up to 31 December 2018, the Risk Committee (a sub-committee of the main Board) had oversight responsibilities.

A risk management policy is in place which sets out the structure for the governance and oversight of risk and summarises the principles for the management of risks within the Company. The policy is supplemented by a risk management framework which provides detailed guidance for the identification, measurement, monitoring and reporting of risks. These are in the process of being reviewed following the groups' acquisition by The Ardonagh Group Limited and, during 2019, changes to governance arrangements and the enterprise risk management framework will be made to ensure alignment with The Ardonagh Group Limited's standards and requirements.

The Company faces a range of risks which have the potential to impact on financial performance or the achievement of strategic business objectives. The framework has been in place throughout the financial year and up to the date that these financial statements were approved, although changes will be made during 2019.

Monitoring of risk is carried out and assurance gained through financial, operational, compliance and quality based auditing. Significant failures were reported to the Risk Committee and the main Board up until 31 December 2018. The Risk Committee monitored remedial action as part of its wider remit to oversee the internal control environment.

The principal risks and uncertainties facing the Company are discussed in detail in the strategic report.

## **RESEARCH AND DEVELOPMENT**

The Company undertakes research and development activities in relation to software and systems development although this activity has reduced significantly following the replacement of the in-house developed core sales systems with a third party broking platform.

## **CHARITABLE DONATIONS**

The Company made donations of £10,557 (2017: £48,707) to a number of charities during the year.

## **DIRECTORS' QUALIFYING THIRD PARTY INDEMNITY PROVISIONS**

Insurance has been purchased to indemnify the Company's directors against liability in respect of proceedings brought by third parties, against them in their capacity as a director, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in place during the financial year and remained in force as at the date of approving the report of the directors.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

### Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the 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 auditors are aware of that information.

## INDEPENDENT AUDITORS

Following the acquisition of the parent company by the Ardonagh Group Limited, from 31 December 2018, it was recommended that Deloitte LLP be appointed as auditors for the acquired Group entities effective for periods ending on or after 1 January 2019. As a result, PricewaterhouseCoopers LLP will not be seeking reappointment as the auditors of the company for the financial year commencing 1 January 2019 and Deloitte LLP will seek appointment instead.

### By Order of the Board



S S Kennedy  
Director  
16 May 2019



## ***Independent auditors' report to the members of Swinton Group Limited***

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion, Swinton Group Limited's financial statements:

- 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 (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the 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 the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

#### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### ***Strategic Report and Report of the Directors***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

#### **Responsibilities for the financial statements and the audit**

##### ***Responsibilities of the directors for the financial statements***

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

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.

##### ***Auditors' 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 auditors' 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

##### ***Use of this report***

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **Other required reporting**

##### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Gary Shaw (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester  
16 May 2019

	Note	2018 £'000	2017 £'000
<b>TURNOVER</b>	6	127,101	168,729
Other operating income		-	1,891
Administrative expenses		(156,995)	(203,589)
<b>OPERATING LOSS</b>	7	(29,894)	(32,969)
<b>Analysed as:</b>			
Operating (loss)/profit before exceptional items		(284)	11,586
Exceptional items	7	(29,610)	(44,555)
<b>OPERATING LOSS</b>	7	(29,894)	(32,969)
Interest receivable and similar income	10	1,466	971
Interest payable and similar expense	11	(379)	(210)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(28,807)	(32,208)
Tax on loss on ordinary activities	12	(356)	(399)
<b>LOSS FOR THE FINANCIAL YEAR</b>		(29,163)	(32,607)
<b>OTHER COMPREHENSIVE INCOME</b>			
Unrealised gain on revaluation of properties	14	3	68
Total tax on components of other comprehensive income	12	4	131
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>		7	199
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR</b>		(29,156)	(32,408)

All results relate to continuing operations.

	Note	2018 £'000	2017 £'000
<b>FIXED ASSETS</b>			
Intangible assets	13	10,083	16,249
Tangible assets	14	8,965	14,770
Investments	15	3	3
		<hr/>	<hr/>
		19,051	31,022
<b>CURRENT ASSETS</b>			
Debtors: amounts falling due within one year	16	243,338	202,544
Debtors: amounts falling due after more than one year	16	17,499	35,367
Cash at bank and in hand		34,414	10,348
		<hr/>	<hr/>
		295,251	248,259
<b>CREDITORS: Amounts falling due within one year</b>	17	(162,984)	(97,862)
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		132,267	150,397
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		151,318	181,419
<b>PROVISIONS FOR LIABILITIES</b>	19	(12,271)	(13,216)
		<hr/>	<hr/>
<b>NET ASSETS</b>		139,047	168,203
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21	15,128	15,128
Revaluation reserve		197	730
Capital contribution reserve	22	88,715	88,715
Retained earnings		35,007	63,630
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		139,047	168,203
		<hr/>	<hr/>

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

The financial statements on pages 10 to 32 were approved by the board of directors on 16 May 2019 and signed on their behalf by:



**S S KENNEDY - DIRECTOR**

**Company number 756681**

	Called up share capital	Revaluation reserve	Other reserves	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
<b>Balances as at 1 January 2017</b>	15,128	617	88,715	96,151	200,611
Loss for the financial year	-	-	-	(32,607)	(32,607)
Other comprehensive income for the year	-	199	-	-	199
Total comprehensive (expense)/ income for the year	-	199	-	(32,607)	(32,408)
Transfer	-	(86)	-	86	-
Dividends	-	-	-	-	-
<b>Balance as at 31 December 2017</b>	15,128	730	88,715	63,630	168,203

	Called up share capital	Revaluation reserve	Other reserves	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
<b>Balances as at 1 January 2018</b>	15,128	730	88,715	63,630	168,203
Loss for the financial year	-	-	-	(29,163)	(29,163)
Other comprehensive income for the year	-	7	-	-	7
Total comprehensive (expense)/ income for the year	-	7	-	(29,163)	(29,156)
Transfer	-	(540)	-	540	-
Dividends	-	-	-	-	-
<b>Balance as at 31 December 2018</b>	15,128	197	88,715	35,007	139,047

## **1) GENERAL INFORMATION**

Swinton Group Limited is an insurance intermediary that offers a range of insurance products from a panel of UK insurers covering car, bike, home, commercial, taxi and caravan insurance, plus services such as breakdown and home emergency cover.

The Company is a private company limited by shares and is incorporated in the United Kingdom. The address of its registered office is Embankment West Tower, 101 Cathedral Approach, Salford M3 7FB.

## **2) STATEMENT OF COMPLIANCE**

The financial statements of Swinton Group Limited have been prepared in compliance with United Kingdom Accounting Standards, including the Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), and the Companies Act 2006.

## **3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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.

## **4) STATEMENT OF ACCOUNTING POLICIES**

A summary of the principal accounting policies, which have been applied consistently throughout the year, is set out below:

### **a) Basis of Preparation**

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

### **b) Going concern**

The Directors believe that the Company is well placed to manage the risks facing it. After making enquiries, the Directors are satisfied that the Company has adequate resources for at least 12 months from the date of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

### **c) Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with.

The Company has taken advantage of the exemption from preparing a statement of cash flows on the basis that it is a qualifying entity and its immediate parent company, Swinton (Holdings) Limited, includes the company's cash flows in its own consolidated financial statements.

### **d) Revenue recognition**

Commission income is recognised at the point that the Company has fulfilled its obligations to the insurer through the arrangement of an underlying insurance policy, being at the date the underlying policy takes effect. Finance fees charged for the provision of credit to customers are recognised over the credit period to which they relate on an effective interest rate basis approximated by the sum of digit basis. Other fee income is recognised at the point of sale when the Company has fulfilled its obligations to customers through the arrangement of the underlying insurance policy.

#### **4) STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

##### **d) Revenue recognition (continued)**

The amount of income recognised in relation to monthly policies is calculated as the present value of expected cash flows over the expected life of the product taking into consideration past experience and management's best estimate of any associated risks. This is revised as more evidence is obtained relating to the expected cancellation profile and potential persistency of products. Expected cashflows are calculated based on agreed commission rates with insurers. The discounted commission receivable is recognised within prepayments and accrued income.

Expected cashflows are discounted to their present value using an appropriate discount rate and thus take into account the time value of money. Management's current view is that using a weighted average cost of capital ('WACC') to discount cashflows to their present value is appropriate. Discount rates are reviewed annually with the impact of a change recognised in turnover.

Given that the Company was acquired by The Ardonagh Group Limited on 31 December 2018 the WACC used to discount the expected cashflows was revised to be consistent with The Ardonagh Group Limited WACC of 14.6%, which reflects the effective borrowing rate for the Company as at the reporting date.

Current management revised the product lifetimes over which cashflows are expected to be generated to 3 years, 2 years and 1 year from 5 years, 3 years and 1 year respectively, depending on the product.

As a result of these changes a debit to income of £12.6m has been recognised in 2018. The unwind of the discount rate, is recognised within turnover, except for the element relating to the risk free time value of money, which is recognised within other finance income.

Other income streams are recognised in the period to which they relate.

##### **e) Employee benefits**

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans. The Company operates a defined contribution scheme, which is a stakeholder scheme, covering the majority of its employees. The funds are administered independently of the Company's finances. Once the contributions have been paid, the Company has no further obligations. The charge to the statement of comprehensive income comprises the total contributions payable to the scheme in the financial year.

##### **f) Taxation**

The charge for current tax is based on the results for the period after making allowance for non-assessable or disallowable items. It is calculated using rates of tax that have been enacted at the balance sheet date.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

##### **g) Exceptional items**

The Company classifies certain one off charges or credits that have a material impact on the Company's financial results as exceptional items. Exceptional items are charged or credited to operating profit/loss but are separately identified on the statement of comprehensive income and in the notes to the accounts, in order to give a clearer understanding of the Company's underlying performance.

#### **4) STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

##### **h) Business combinations and goodwill**

Goodwill, being the difference between the fair value of the assets acquired and the purchase consideration, is capitalised and amortised on a straight line basis over the useful life, estimated for each acquisition by the directors in the range between 5 and 10 years. It is reviewed for impairment at the end of the first full year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

##### **i) Intangible Assets**

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives of between 2 and 5 years.

Amortisation is charged to the statement of comprehensive income.

Where factors, such as technological advancement or changes in market price indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use;
- Management intends to complete the software and use or sell it;
- There is an ability to use or sell the software;
- It can be demonstrated how the software will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- The expenditure attributable to the software during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

##### **j) Investments**

Investments are valued at cost less any provision for impairment.

##### **k) Leased assets**

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.

##### **l) Tangible Assets**

###### **i) Cost or valuation**

Short leasehold property and equipment, furniture and vehicles are included at cost, which includes the original purchase price of the asset and any costs attributable to bringing the asset to its working condition for its intended use. Interests in freehold and long leasehold properties are stated at valuation. All freehold and long leasehold properties are valued by independent



#### **4) STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

##### **i) Cost or valuation (continued)**

professionally qualified valuers on an annual basis. The basis of valuation is fair value. Surpluses or deficits arising on valuation are taken directly to the revaluation reserve. Where there is a material diminution in value of a freehold or long leasehold property, as a result of consumption of economic benefit, such a diminution is recognised in the statement of comprehensive income in the year in which it occurs or is first perceived.

##### **ii) Depreciation**

Freehold and long leasehold properties, the majority of which are operated as retail outlets within the Company, are maintained to a high standard. As a result, the directors are of the opinion that the residual values, estimated at the date of acquisition or subsequent valuation, are such that depreciation is not significant. Accordingly, freehold and long leasehold properties are not depreciated. Annual impairment reviews are performed on these assets.

The costs of maintenance and repair of freehold and long leasehold property are charged through the statement of comprehensive income as they arise. Improvements to these properties are capitalised and written off over their estimated useful life.

Depreciation is provided so as to write off the cost of all other tangible fixed assets over their expected useful economic lives, which are estimated to be:

- |                                     |                         |
|-------------------------------------|-------------------------|
| • Short leasehold property          | The period of the lease |
| • Equipment, furniture and vehicles | 3-10 years              |

##### **iii) Disposals of Freehold and Long Leasehold Property**

The difference between net proceeds and net carrying amount is dealt with through the statement of comprehensive income. Any amount in the revaluation reserve relating to the property is transferred to the profit and loss reserve.

##### **m) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held with banks, and bank overdrafts. Bank overdrafts are shown within bank loans and overdrafts in current liabilities. Amounts which are ring-fenced and held for the benefit of customers in client money accounts are excluded from the Company's assets as they are not available for the benefit of the Company.

##### **n) Asset backed financing**

Asset backed financing is secured on certain insurance debtors which are subject to instalment collection arrangements. Such debtor balances are held on balance sheet as, despite their sale to a third party, the Company retains the associated risks and rewards of the receivables. The receivables are disclosed within debtors falling due within one year and the financing liability is disclosed within creditors falling due within one year.

##### **o) Research and development**

Research expenditure is charged to the statement of comprehensive income in the year incurred. Development expenditure is charged to the statement of comprehensive income unless it meets the relevant criteria for capitalisation. When the recognition criteria have been met any further development expenditure is capitalised as an intangible asset.

##### **p) Provisions and contingencies**

###### **i) Provisions**

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Restructuring provisions are recognised when the company has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring.

#### **4) STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

##### **p) Provisions and contingencies (continued)**

The Company provides for future costs associated with properties which it has ceased to use and is unlikely to re-occupy. This provision encompasses all net rent and other outgoings based on an estimate of the length of time properties will continue to be vacant.

The Company provides for expected dilapidation costs for occupied leasehold properties. The provision encompasses estimated costs to remedy dilapidation in line with the lease agreements. Dilapidation costs related to wear and tear are recognised as an expense. The provision also encompasses an initial estimate of the costs of dismantling and removing leasehold improvements. This is recognised as an expense over the life of the lease term.

##### **ii) Contingencies**

Contingent liabilities, arising as a result of past events, are not recognised when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

##### **q) Financial instruments**

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

##### **i) Financial assets**

Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

#### **4) STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

##### **ii) Financial liabilities**

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future cashflows discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate, unless they are included in a hedging arrangement.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

##### **r) Share capital**

Ordinary shares are included in equity. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the statement of comprehensive income in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

##### **s) Distributions to equity holders**

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

##### **t) Related party transactions**

The Company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned.

##### **u) Group Financial Statements**

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

## 5) CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### a) Critical judgements in applying the entity's accounting policies

Recognition of insurance debtors – the Company does not derecognise insurance debtor assets upon their sale to a third party under the asset backed financing arrangement, as the Company retains substantially all risks and rewards of ownership of these assets

### b) Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

#### ii) Impairment of debtors

The Company makes an estimate of the recoverable value of insurance and other debtors. When assessing impairment of insurance and other debtors, management considers factors including the ageing profile of debtors and historical experience.

#### iii) Provisions

Provision is made, where necessary, for refund amounts due to customers and amounts relating to costs associated with property and redundancies. These provisions require managements best estimates of any costs that are expected to be incurred based on legislative and contractual requirements.

#### iv) Impairment of intangible assets and goodwill

The Company considers whether intangible assets and/or goodwill are impaired. Where an indication of impairment is identified, the estimation of recoverable value requires estimation of the recoverable value of the cash generating units. This requires key estimations of future cash flows and appropriate discount rates.

#### v) Valuation of monthly products

At each reporting date, the monthly products portfolio is valued based on the present value of expected cash flows, taking into consideration past experience and management's best estimate of any associated risks. This is revised as more evidence is obtained relating to the expected cancellation profile and potential persistency of products.

In arriving at the present value of the monthly products portfolio a number of estimations are made. These include i) the future level of persistency, i.e. the level of cancellations which are expected over either a one, two or three year period and are based on historic levels of cancellations and revised as more evidence becomes available related to the historic cancellation profile and persistency of products; ii) the discount rate used in the calculation of the net present value which is The Ardonagh Group Limited WACC and reflects the inherent borrowing rate for the Company.

## 6) TURNOVER

Turnover on ordinary activities represents insurance commissions and fees receivable from the sale of insurance policies in the UK, credit income, claims income and net property and ground rents receivable.

	2018 £'000	2017 £'000
Insurance commission and fees	95,101	129,615
Credit income	27,516	32,749
Claims income	4,119	5,415
Other	365	950
	<hr/>	<hr/>
	127,101	168,729
	<hr/>	<hr/>

## 7) OPERATING LOSS

	Note	2018 £'000	2017 £'000
<b>Operating loss is stated after charging/(crediting):</b>			
Staff costs	9	54,895	80,980
Impairment of trade receivables		5,836	8,942
Amortisation of intangible fixed assets	13	7,162	9,394
Depreciation of tangible fixed assets	14	3,973	5,105
Impairment of tangible assets	14	1,376	182
Loss on disposal of fixed assets		742	2,037
Auditors' remuneration	8	360	376
Operating lease charges		392	7,976
R&D claim income		-	(1,891)

### Exceptional Items

In line with the Company's ongoing strategic investment policy, there is an internal reporting process for the identification and classification of strategic spend that is deemed to be one off in nature. The table below sets out those items that have been charged/(credited) within operating loss:

	2018 £'000	2017 £'000
Reorganisation costs:		
– Restructuring	14,291	22,016
– Replatforming and other IT	2,923	8,160
– Head office move	(2,421)	4,939
– Strategic and product development	9,466	7,158
Other exceptionals:		
– Onerous contracts	1,571	-
– Other	738	-
Regulatory costs	3,042	2,282
	<hr/>	<hr/>
Total exceptional items	29,610	44,555
	<hr/>	<hr/>

## 7) OPERATING LOSS (CONTINUED)

### Reorganisation costs

During the year, the Company continued with its strategic investment plan, which included completion of the replacement of the core broking platform, digital transformation in line with customer demand, technology automation and further reshaping of the distribution network. This included the closure of 55 branches (2017: 96 branches). These strategic initiatives were supported by the experience of a number of external consultants, who also worked closely with management on the future strategy of the business. Additionally The Company incurred certain exceptional costs in preparation for its acquisition by The Ardonagh Group Limited which was predominantly related to the use of external consultants.

Due to the acquisition of the Company by The Ardonagh Group Limited, and a consequential lease reassignment of certain floors of the Head Office at Embankment West Tower, 101 Cathedral Approach, the associated rent free period balance of £2.6m was credited to the income statement (net of costs).

### Regulatory costs

The Company has undertaken regulatory related projects during the year, which includes an ongoing programme relating to customer complaints. The programme aims to implement improved complaint handling capability across the business that supports consistent delivery of fair outcomes for customers who have had cause to complain and also includes a review of historic complaints to identify and address any customer detriment that has arisen.

## 8) AUDITORS' REMUNERATION

The remuneration of the auditors is further analysed as follows:

	2018 £'000	2017 £'000
Fees payable to the company's auditors for the audit of the company's annual financial statements	300	313
Fees payable to the company's auditors and its associates for other services:		
– Tax services	-	-
– Other services	-	-
Auditors' Remuneration excluding VAT	300	313
Value Added Tax	60	63
Total amounts paid to auditors and charged to the statement of comprehensive income	360	376

## 9) DIRECTORS AND EMPLOYEE INFORMATION

	<b>2018 £'000</b>	<b>2017 £'000</b>
Directors' remuneration:		
Aggregate emoluments	1,229	1,126
Compensation for loss of office	60	-
Company contributions paid to pension schemes	69	86
	<hr/>	<hr/>
	1,358	1,212
	<hr/>	<hr/>

	<b>2018 Number</b>	<b>2017 Number</b>
Members of money purchase pension schemes	4	3
	<hr/>	<hr/>

	<b>2018 £'000</b>	<b>2017 £'000</b>
The amounts in respect of the highest paid director are as follows:		
Emoluments	474	526
	<hr/>	<hr/>
Company contributions paid to pension schemes	13	77
	<hr/>	<hr/>

Company contributions in respect of the highest paid director are paid into pension schemes of a parent undertaking.

	<b>2018 £'000</b>	<b>2017 £'000</b>
Staff costs comprise:		
Wages and salaries	48,209	72,211
Social security costs	4,211	5,829
Other pension costs	2,475	2,940
	<hr/>	<hr/>
	54,895	80,980
	<hr/>	<hr/>
Compensation payable to key management personnel	3,669	2,888
	<hr/>	<hr/>

	<b>2018 Number</b>	<b>2017 Number</b>
The average monthly number of full time equivalent employees during the year was:		
Sales	954	1,671
Other operational	81	104
Support	494	529
	<hr/>	<hr/>
	1,529	2,304
	<hr/>	<hr/>

# 10) INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £'000	2017 £'000
Bank interest receivable	1,160	29
Interest receivable from group undertakings	-	621
Other interest receivable	7	21
Other finance income	299	300
	<hr/>	<hr/>
	1,466	971
	<hr/>	<hr/>

# 11) INTEREST PAYABLE AND SIMILAR EXPENSE

	2018 £'000	2017 £'000
Interest payable to group undertakings	379	210
	<hr/>	<hr/>
	379	210
	<hr/>	<hr/>

# 12) TAX ON LOSS ON ORDINARY ACTIVITIES

## (a) Tax charge included in profit or loss

	2018 £'000	2017 £'000
<i>Current tax:</i>		
UK corporation tax at 19% (2017: 19.25%)	-	-
Adjustment in respect of prior years	(412)	113
	<hr/>	<hr/>
Total current tax	(412)	113
	<hr/>	<hr/>
<i>Deferred tax:</i>		
Short term timing differences	164	389
Accelerated capital allowances	(207)	(308)
Adjustments in respect of prior years	439	(8)
Impact of change in tax rate (see note 12(d))	372	213
	<hr/>	<hr/>
Total deferred tax (see note 12(e))	768	286
	<hr/>	<hr/>
Tax on loss on ordinary activities	356	399
	<hr/>	<hr/>

## (b) Tax included in other comprehensive income/(expense)

Deferred tax		
- Origination and reversal of timing differences	(4)	(131)
	<hr/>	<hr/>
Total tax credit include in other comprehensive income/(expense)	(4)	(131)
	<hr/>	<hr/>



## 12) TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

### (c) Reconciliation of tax charge for the year:

The tax assessed for the year is higher (2017: higher) than the standard rate of corporation tax in the UK.

	2018 £'000	2017 £'000
Loss on ordinary activities before taxation	(28,807)	(32,208)
Loss on ordinary activities multiplied by standard tax rate in the UK of 19% (2017: 19.25%)	(5,473)	(6,200)
Tax effect of expenses not deductible for tax purposes:		
- Goodwill amortisation	696	704
- Other	884	524
Adjustments in respect of prior years	27	-
Impact of change in tax rate	372	213
Losses transferred to group companies	3,850	5,158
Total tax charge for the year (see note 12(a))	356	399

### (d) Factors affecting current and future tax charges

The UK corporation tax rate during the year was 19% and will be reduced to 17% with effect from 1 April 2020. Deferred tax balances were measured based on the tax rates that are expected to apply when the asset is realised.

As a result of these reductions in the UK corporation tax rate, the Company's profits for this financial year are taxed at an effective rate of 19% compared to 19.25% in the prior year, and they will be taxed at 19% in the 2019 financial year.

In accordance with accounting standards, the deferred tax arising from capital allowances and other short term timing differences has been recognised in the financial statements during the year, due to evidence that they will reverse and that the related benefit will crystallise.

### (e) Deferred tax

	Recognised Asset at 1 January 2018 £'000	Adjustments In Respect of Prior Years £'000	Rate change impact £'000	Current Year Credit/ (Charge) £'000	Recognised Asset at 31 December 2018 £'000
Deferred taxation represents:					
Capital allowances	3,323	(75)	(341)	207	3,114
Short term timing differences	660	(364)	(31)	(164)	101
Revaluation of properties	(24)	-	-	4	(20)
	3,959	(439)	(372)	47	3,195

The recognised deferred tax asset of £3,195,000 (2017: £3,959,000) is included within other debtors.

### 13) INTANGIBLE ASSETS

	<b>Purchased Goodwill £'000</b>	<b>Computer Software £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 January 2018	184,317	58,428	242,745
Additions	-	996	996
	<hr/>	<hr/>	<hr/>
At 31 December 2018	184,317	59,424	243,741
	<hr/>	<hr/>	<hr/>
<b>Accumulated amortisation</b>			
At 1 January 2018	179,305	47,191	226,496
Charge for the year	3,970	3,192	7,162
	<hr/>	<hr/>	<hr/>
At 31 December 2018	183,275	50,383	233,658
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 December 2018	1,042	9,041	10,083
	<hr/>	<hr/>	<hr/>
At 31 December 2017	5,012	11,237	16,249
	<hr/>	<hr/>	<hr/>

#### 14) TANGIBLE ASSETS

	Freehold Property £'000	Long Leasehold Property £'000	Short Leasehold Property £'000	Equipment Furniture and Vehicles £'000	Total £'000
<b>Cost or valuation</b>					
At 1 January 2018	1,310	302	381	84,985	86,978
Additions	-	-	-	1,337	1,337
Disposals	(699)	(302)	-	(1,935)	(2,936)
Revaluation	3	-	-	-	3
At 31 December 2018	614	-	381	84,387	85,382
At valuation	614	-	381	-	995
At cost	-	-	-	84,387	84,387
	614	-	381	84,387	85,382
<b>Accumulated depreciation</b>					
At 1 January 2018	-	-	381	71,827	72,208
Charge for the year	-	-	-	3,973	3,973
Impairment	-	-	-	1,376	1,376
Disposals	-	-	-	(1,140)	(1,140)
At 31 December 2018	-	-	381	76,036	76,417
<b>Net book value</b>					
At 31 December 2018	614	-	-	8,351	8,965
At 31 December 2017	1,310	302	-	13,158	14,770

Freehold and long leasehold properties to the value of £614,000 (2017: £1,612,000 were valued at 31 December 2018 by Weatherall Green & Smith North Ltd trading as Sanderson Weatherall, Chartered Surveyors and Property Consultants at an open market value, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

The historical cost of freehold and long leasehold property at 31 December 2018 amounted to £397,000 (2017: £858,000).

## 15) INVESTMENTS

	<b>Unlisted Investment £'000</b>	<b>Total £'000</b>
At 1 January and 31 December 2018	3	3

The directors believe that the carrying value of the investments is supported by their underlying net assets.

Details of subsidiary undertakings at 31 December 2018 are shown in note 26.

## 16) DEBTORS

	<b>2018 £'000</b>	<b>2017 £'000</b>
<b>Debtors: amounts falling due within one year</b>		
Insurance debtors	88,790	102,747
Amounts owed by group undertakings*	41,000	717
Amounts owed by immediate parent company	82,806	60,216
Other debtors	3,626	5,193
Prepayments and accrued income	27,116	33,671
	<b>243,338</b>	<b>202,544</b>
<b>Debtors: amounts falling due after more than one year</b>		
Prepayments and accrued income	17,499	35,367
	<b>260,837</b>	<b>237,911</b>

Included within total prepayments and accrued income is £35,651,000 (2017: £58,802,000) in relation to amounts receivable in respect of monthly policies. The income in relation to monthly products is recognised at the point of sale, based on the present value of expected cash flows, taking into consideration past experience and management's best estimate of any associated risks.

\* Amounts due by group undertakings are reflective of the group companies at that reporting date.

## 17) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £'000	2017 £'000
Asset backed financing (note 18)	72,072	-
Trade creditors	2,315	609
Insurance creditors	46,005	53,476
Amounts owed to group undertaking	24,240	20,764
Corporation tax	-	198
Other taxation and social security	1,057	1,335
Other creditors	2,038	2,766
Accruals and deferred income	15,257	18,714
	<u>162,984</u>	<u>97,862</u>

Insurance creditors includes £2,507,000 (2017: £2,570,000) relating to policies that have been transacted with the customer in advance of the year end, but where the amount is not contractually due to the insurer until after the year end.

Included in the 2017 insurance creditors balance is £8,324,000 due to a former group company. Following the acquisition by the Ardonagh Group Limited, amounts due to former group companies at the 2018 reporting date are classified within the relevant creditor line.

## 18) FINANCING

	2018 £'000	2017 £'000
Asset backed financing arrangement	72,072	-
Total	<u>72,072</u>	<u>-</u>
<b>Amounts falling due:</b>		
In one year or less	72,072	-
	<u>72,072</u>	<u>-</u>

£72.1m (2017: £nil) of financing is in relation to asset backed financing, secured on certain instalment debtors disclosed in insurance debtors. The facility was agreed on 31 December 2018 and provides a secured financing facility of £90,000,000 for a 15 month term.

## 19) PROVISIONS FOR LIABILITIES

	Restructuring Provision £'000	Other Provisions £'000	Total £'000
At 1 January 2018	9,098	4,118	13,216
Charge to statement of comprehensive income	9,830	5,280	15,110
Utilised during the year	(13,385)	(2,670)	(16,055)
	<hr/>	<hr/>	<hr/>
At 31 December 2018	5,543	6,728	12,271
	<hr/>	<hr/>	<hr/>

Included within the restructuring provision are amounts relating to the costs associated with vacant property and redundancy provisions. The costs charged to the profit and loss are included within the exceptional items disclosed in note 7. Other provisions include £1,845,000 (2017: £1,792,000) for the potential cost of refunds to customers. In arriving at the level of provision, estimates have been made regarding the number of customers who may be affected, the cost of the relevant insurance policies and the potential costs of administering any required refunds. It has been assumed that substantially all amounts which may become payable will be settled during 2019. The remaining provision relates largely to dilapidations for occupied leasehold properties £2,534,000 (2017: £Nil), professional indemnity claims of £748,000 (2017: £835,000) and onerous contracts £1,571,000 (2017: £1,462,000).

## 20) FINANCIAL INSTRUMENTS

The Company has the following financial instruments:

	2018 £'000	2017 £'000
Financial assets measured at amortised cost:		
- Insurance debtors	88,790	102,747
- Amounts owed by group undertakings	41,000	717
- Amounts owed by immediate parent company	82,806	60,216
- Other debtors	430	1,237
- Accrued income	35,651	58,802
- Cash at bank and in hand	34,414	10,348
	<hr/>	<hr/>
	283,091	234,067
	<hr/>	<hr/>
Financial liabilities measured at amortised cost:		
- Asset backed financing arrangement	(72,072)	-
- Insurance creditors	(46,005)	(53,476)
- Trade creditors	(2,315)	(609)
- Amounts owed to subsidiary undertaking	(24,240)	(20,764)
- Accruals	(13,880)	(17,330)
- Other creditors	(2,038)	(2,766)
	<hr/>	<hr/>
	(160,550)	(94,945)
	<hr/>	<hr/>

## 21) CALLED UP SHARE CAPITAL

	2018 £'000	2018 Number	2017 £'000	2017 Number
Allotted, and fully paid Ordinary shares of £1 each	15,128	15,128,253	15,128	15,128,253

## 22) OTHER RESERVES

	Capital contribution reserve  £'000
At 1 January and 31 December 2018	88,715

## 23) CAPITAL COMMITMENTS

	2018 £'000	2017 £'000
At the reporting date, the Company had capital expenditure commitments as follows:		
Contracted for but not provided in the financial statements	-	-

## 24) OPERATING LEASE COMMITMENTS

The Company has the following future minimum lease payments under non-cancellable operating leases as follows:

	2018 £'000	2017 £'000
Not later than one year	304	704
Between 1-5 years	1,264	8,508
Later than 5 years	14,377	43,833
	15,945	53,045

## 25) ACQUISITIONS

There were no acquisitions in 2018 or 2017.

## 26) DETAILS OF SUBSIDIARY COMPANIES

Details of principal subsidiary undertakings, which are registered in England and Wales, are:

Name	Principal Activity	Company interest in ordinary share capital %
Equity Broking Management Limited	Intermediate holding company	100
Equity Insurance Brokers Limited	Insurance intermediary – dormant	*100

\* Indirect ownership

The registered office of the subsidiary undertakings is Embankment West Tower, 101 Cathedral Approach, Salford, M3 7FB.

## 27) RELATED PARTY TRANSACTIONS

The Company is exempt from disclosing related party transactions with other group companies that are wholly owned within the Group. There are no other related party transactions to disclose.

## 28) DIVIDENDS

	2018 £'000	2017 £'000
Equity dividends paid on ordinary shares of £1 each:		
Dividend of £Nil (2017: £Nil) per share	-	-

## 29) CONTINGENT LIABILITIES

The Company is a guarantor of the loans of its immediate parent undertaking, Swinton (Holdings) Limited. The total amount outstanding on these facilities at 31 December 2018 was £Nil (2017: £21,100,000).

## 30) POST BALANCE SHEET EVENTS

On 22 January 2019, the Company announced proposed changes which lead to the closure of 23 branches and reduction in staff numbers at an estimated cost of £3.7m.



### **31) ULTIMATE PARENT COMPANY & CONTROLLING PARTY**

The Company's immediate parent company is Swinton (Holdings) Limited.

At 31 December 2018, the ultimate parent company was The Ardonagh Group Limited (incorporated in Jersey, registered office address 47 Esplanade, St Helier, Jersey, JE1 0BD). The Ardonagh Group Limited's majority shareholder is HPS Investment Partners LLC. The Ardonagh Group Limited is the largest group in which the results are consolidated. Financial statements for The Ardonagh Group Limited and Ardonagh Midco 3 plc are available on request from:

Towergate House  
Eclipse Park  
Sittingbourne Road  
Maidstone  
Kent  
ME14 3EN

The smallest undertaking in the group which produces consolidated financial statements (which includes the Company) is Swinton (Holdings) Limited which is registered in England & Wales. A copy of its financial statements can be obtained from the Company's registered office.