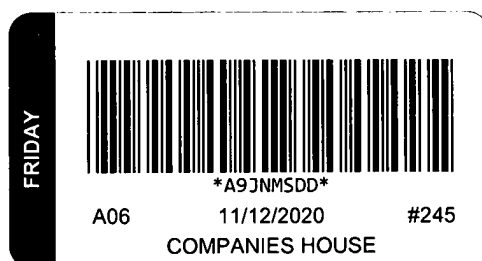


Registered Number: 00756681 England

SWINTON GROUP LIMITED
Annual Report and Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2019



Contents

Company Information	2
Strategic Report	3
Report of the Directors	9
Independent Auditors' Report	11
Statement of Comprehensive Income	13
Statement of Financial Position	14
Statement of Changes in Equity	15
Notes to the financial statements	16

DIRECTORS:	C D Ball I J Donaldson
COMPANY SECRETARY:	D Clarke
REGISTERED OFFICE:	Embankment West Tower 101 Cathedral Approach Salford M3 7FB
INDEPENDENT AUDITORS:	Deloitte LLP Statutory Auditors 2 Hardman Street Manchester M3 3HF
BANKERS:	Lloyds Bank plc City Office 11-15 Monument Street London EC2V 9JA
COMPANY NUMBER:	00756681 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

The year saw refinement of the Company's strategy in line with its wider digital, technological and distribution transformation, together with integration into the Ardonagh Group ("The Group") following its purchase of the Company on 31 December 2018. The Company forms part of the Retail segment ("The Segment") of the Ardonagh business, known as "Atlanta".

The year saw the Company complete its integration into the Ardonagh Group from an operational, oversight and governance perspective. Further, the Company began to realise the benefits of its digital, technological and distribution transformation with an operating profit of £17.5m (2018: loss of £29.9m). The Company further aligned its operational capability to its core product offerings with the transfer of part of its commercial business into Towergate, the Insurance Broking segment of The Ardonagh Group, for a consideration of £6m.

Following investment in the digital transformation of the business over the past 3 years, the journey to close the branch network was completed in 2019, with the closure of 53 branches (55 branch closures in 2018), which sees the business now operating out of its Head Office call centre and two specialist units.

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

	2019 £'000	2018 £'000
Turnover*	128,664	127,101
Operating profit/(loss) before exceptional items*	29,985	(284)
Operating profit/(loss)*	17,466	(29,894)
Profit/(loss) for the financial year*	11,076	(29,163)
Total shareholders' funds	156,138	139,047
Total number of trading branches and call centres**	3	56
Number of live policies**	1.3 million	1.4 million
Number of live core policies**	0.9 million	0.9 million

* 2018 figures include £12.6m reduction in income following change in accounting estimate made in the that year

** As at 31 December. The number of core live policies refers to car and home policies

The market continued to remain very competitive in 2019, as consumers continue to move away from the traditional offline sales channels to the more price competitive online channels.

One off costs and credits amounting to £12,519,000 (2018: £29,610,000) 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, as well as one off credits recognised within turnover relating to the release of a customer contact provision.

Operating costs, excluding such one off strategic items continue to reduce year on year under strong cost management and synergies created following the company's integration into the Ardonagh Group.

REVIEW OF PERFORMANCE (continued)

The table below sets out operating profit/(loss) pre and post exceptional items:

	2019 Pre- exceptional £'000	2019 Exceptional £'000	2019 Reported £'000	2018 Pre- exceptional £'000	2018 Exceptional £'000	2018 Reported £'000
TURNOVER	127,296	1,368	128,664	127,673	(572)	127,101
Administrative expenses	(97,311)	(13,887)	(111,198)	(127,957)	(29,038)	(156,995)
OPERATING PROFIT/(LOSS)	29,985	(12,519)	17,466	(284)	(29,610)	(29,894)

SECTION 172 STATEMENT

The directors take seriously their obligations under s.172 (1) (a)-(f) of the Companies Act 2006 ("S.172 Duties") to act in a way they consider, in good faith, would be the most likely to promote the success of the company for the benefit of its members as a whole and in doing so, have regard to; the likely consequences of any decision in the long-term, the interests of the company's employees, the need to foster the company's business relationships with suppliers, customers and others, the impact of the company's operations on the community and the environment, the desirability of the company maintaining a reputation for high standards of business conduct and the need to act fairly as between members of the company. The day to day Board level governance over the business is undertaken by the Board of Atlanta Investment Holdings 3 Limited ("Segment Board"). Both directors of the Company are also members of the Segment Board.

The Segment Board considers the long-term consequences of its decisions and these are guided by a 5-year business plan, risk appetite and risk framework, which seeks to ensure that the business plan is executed with due regard to our stakeholders and maintaining our high standards of business conduct. Ongoing engagement with our shareholders and bondholders are primarily exercised by the Group Board and a voluntary disclosure of how the Group Board applies the Wates Corporate Governance Principles for Large Private Companies and discharges their s.172 Duties are set out in the financial statements of The Ardonagh Group Limited. The Group Board have identified the following as our key stakeholders and how the Board engages with each stakeholder is set out below; employees, customers, the Financial Conduct Authority ("FCA"), insurers and suppliers.

Employees

As a Board we believe in the importance of communication and engagement with our employees. Our Businesses all undertake regular communication and other engagement activities, including the annual AtlantaFest where all Atlanta staff come together to celebrate the business, listen to live bands and raise money for charity. the first Ardonagh Group-wide employee pulse survey was undertaken in Q4 2019 which achieved an excellent 73% response rate from over 6,000 employees across the Ardonagh Group. The results have been promising with an overall positivity score of 69.10% for the Atlanta Group. In February 2020 the Segment Board considered the pulse survey scores across the businesses and the actions to be taken as a result of the survey. Management have identified the following eight priorities to drive positive employee experiences across the Group and in turn, ensure the successful delivery of business strategy, strategic priorities and great client outcomes.

SECTION 172 STATEMENT (continued)

Our People Commitments:

- Attract and retain the best people by providing a high-performing, collaborative and flexible working environment, where people feel engaged with the Group and valued for their contribution
- Recruit people using fair and professional selection methods
- Provide a good onboarding experience and ongoing career support to give people the best possible start and return to work following periods of extended leave
- Develop the personal and professional skills and knowledge of all employees throughout their careers, helping them achieve their full potential within the Group
- Recognise achievements at all levels and provide opportunities for all our people to progress their career
- Reward people fairly within transparent and appropriate remuneration frameworks; remaining competitive and allowing for changing external factors
- Build a supportive culture which is inclusive, positive and fair; where opportunities are open to all, people can lead and are led effectively, and change is well managed
- Provide an environment where health, wellbeing and the importance of community are actively promoted, where people can bring their whole self to work

The survey has highlighted a number of areas that evidence a strong baseline culture and an indication of the calibre of our people.

Customers

Seeking good customer outcomes is central to the success of the business. Put simply, it's what we always seek to achieve. Management keep track of how our customers perceive our products and services and review our products and services to ensure they continue to meet the needs of our customers.

Management also undertakes root cause analysis on complaints to ensure that when things do go wrong, we are able to learn from them and improve our service and achieve a good customer outcome. During 2019 the Business implemented an enhanced conduct risk framework and risk appetite that will support the Board in discharging effective oversight over how well we perform against key customer related metrics and evidence how the Board and management demonstrably puts the customer at the heart of our decision making.

Case Study in considering stakeholders in decision making

As part of the Swinton branch closure programme, the Board considered how it impacted key stakeholders. The programme focussed on colleagues, customers and landlords as the key stakeholders most impacted by branch closures.

Regarding colleagues, management ensured that colleagues were managed with professionalism, empathy and respect throughout the closure programme. As part of the larger Group, a number of branch staff were able to be retained within the Atlanta Segment. For those employees who left the business, there was an extensive outplacement programme that supported them in finding alternative employment, including an outreach to other employers in the local area and regular open and honest communication and consultation. Overall, over 80% of colleagues were able to secure a new role prior to leaving the business.

For customers, we ensured that we understood how each customer preferred to be contacted and tailored our communications accordingly. We also identified the customers that had a higher propensity to use our branches and contacted them proactively to ensure they knew how to contact us and also help them through their first renewal process following the closure of their nearest branch. We also ensured that our call centres were adequately resourced to meet the higher demand following each branch closure.

Regarding landlords, we ensured that they were treated fairly when exiting leases with a clear communications programme and a dedicated option to contact us through our call-centre.

SECTION 172 STATEMENT (continued)

Regulatory relationships

The FCA are a key stakeholder and the Board prioritise positive, open and transparent engagement with the FCA and with all our regulatory relationships around the world by ensuring the right 'tone from the top' which starts with how the Board engages with regulators. The Business regularly participate in regulatory thematic reviews and we believe that a strong relationship with our regulators is a competitive advantage.

Insurers and suppliers

Our insurance partners are fundamental to the success of the business. The business regularly meets with our key insurance partners to discuss performance and ways in which we can enhance cover for customers and feedback on insurer relationships are reported to our Segment Board. Our key non-insurer suppliers are defined by the Atlanta Outsourcing and Procurement Policy, which ensures that all key suppliers are identified and subject to appropriate monitoring. Due diligence is performed before suppliers are engaged. Payment terms are agreed with insurers and key suppliers as part of the engagement process.

Community

The Ardonagh Group's UK registered charity, Ardonagh Community Trust (ACT) celebrated two years in October 2019. Over the last two years, ACT has allowed us to harness the collective power of The Ardonagh Group to help local communities become stronger, better and brighter. Through the match funding programme, which supports personal fundraising activity such as marathons and bake sales, over 167 Group employees, including those with Swinton, had their chosen charity supported by ACT benefitting 72 charities as at 31 December 2019. Alongside match funding, ACT's community grant programme awarded a total of 25 grants in 2019 which benefitted initiatives and organisations within communities closely linked to our employees. The grants covered a breadth of areas such as arts & culture, community development, education, healthcare, mental health, people in need and sport and applications are submitted by teams and individuals across the Group. In order to further support the communities our employees live and work in, employees are encouraged to use one paid day per year to give back through skilled or un-skilled volunteering to causes they care about.

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 within Atlanta (Autonet, Carole Nash and Swinton). The Atlanta Risk & Audit Committee and sub-committees of the Executive Committee provide oversight responsibilities.

A risk management framework 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 framework is supplemented by a risk management policy which provides detailed guidance for the identification, measurement, monitoring and reporting of risks. Atlanta operate in line with risk management practises and governance requirements as set out by Ardonagh Group.

Atlanta faces a range of risks which have the potential to impact financial performance or the achievement of strategic business objectives. The Ardonagh Risk Management Framework which Atlanta is in the process of embedding, has been in place throughout the financial year and up to the date that these financial statements were approved. Monitoring of risk is carried out and assurance is gained through financial, operational, compliance and quality based auditing. The Risk Committee monitors remedial action as part of its wider remit to oversee the internal control environment.

The principal risks and uncertainties facing the Company are discussed below.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Economic risks

The Company operates in the UK and is affected by economic conditions in the UK and the associated possibility of decline in business and customer confidence. The Board has developed a strategy that is focused on the achievement of long-term sustainable growth, and the Board believes that this is the most effective way of mitigating the risk of general decline in economic conditions. The Brexit decision is unlikely to directly impact the Company given the business operates solely within the UK.

The Company, together with Ardonagh 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 are 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. The company is also forecast to remain profitable during this time.

Credit Risks

The Company manages liquidity risk through regular cash flow forecasts and monitoring. The Company continued to provide credit to customers in connection with the arrangement of insurance contracts until April 2019. 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.

During the prior year, the Company put in place an interim financing arrangement with a third party whereby the related insurance debtor balances were sold (with recourse to the Company). At the reporting date this financing arrangement provided £4m (2018: £72m) to the Company. As at April 2020, the value of the financing arrangement reduced to nil as the related policies lapsed and renewed onto policies where credit arrangements are provided by a third party premium credit provider (see below).

From April 2019, insurance contracts entered into by customers requiring credit are funded by a third party premium credit provider. Under the terms of these arrangements, the premium credit provider will pay over to the Company the insurance premium due once a successful collection has been made from the customer. The credit risk remains with the Company. Procedures are in place to actively monitor outstanding amounts and minimise exposure. Under these arrangements the Company retains the right to set off any returned premium due from the insurer on cancellation of a policy.

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 exceeds the minimum regulatory requirement.

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 cash resources. 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.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

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, improve technological capability 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'. Atlanta has a Risk and Compliance function which oversees a conduct risk framework across the segment and is part of the Ardonagh Risk and Compliance function which liaises with the FCA on regulatory matters. Work has been undertaken during 2019 and 2020 to further strengthen and embed the conduct risk framework and implement the Senior Managers & Certification Regime (SMCR) which became 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, group assurance and group internal audit teams.

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 are 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.

The Strategic Report was approved by Order of the Board



C D Ball
Director
10 September 2020

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

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:

C D Ball	
J Deakin	(resigned 30 December 2019)
I J Donaldson	(appointed 19 August 2019)
S S Kennedy	(resigned 30 December 2019)

RESULTS AND DIVIDEND

The results for the year are set out in the statement of comprehensive income on page 13. The directors declared and paid dividends of £Nil in the year (2018: £Nil). The directors do not recommend any final dividend for 2019 (2018: £nil).

OUTLOOK AND FUTURE READING

On 31 December 2018, The Ardonagh Group Limited acquired the Swinton Group from MMA Holdings Limited. The first year post acquisition has seen the Swinton Group realise efficiency & synergistic benefits, whilst also giving it the opportunity to leverage Ardonagh Group's established oversight and governance. Since the acquisition, Swinton Group has successfully delivered the first phase of Group integration whilst also delivering its pre-established wider digital, technological and distribution transformation strategy.

Aligning to industry change, the Company successfully closed all branches ensuring that the on-going business model is one that gives customers, colleagues and stakeholders confidence in the future of the business. The move closed a low revenue / high cost base channel leaving a business model which is more agile and marginally costed.

The next 12 months will see the further consolidation of Swinton Group to realise integration synergies whilst investing for growth. The focus will be on enhancing digital capability and optimising the IT / Cyber estate bringing operational efficiency, improved customer experience and a reduction in costs.

GOING CONCERN

Following work undertaken and enquiries made, the directors believe that the Company is well placed to manage the risks facing it and 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 (see note 4b).

EQUAL OPPORTUNITIES

The Company 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. The Company operates a fair and consistent recruitment policy and process, which gives full consideration to applicants that are disabled. Training, development, and promotion are, as far as reasonably practicable, identical for all employees according to their abilities and skills. Employees who become disabled during their working life will be retrained if necessary and wherever possible will be given help with any necessary rehabilitation and training. The Company is prepared to modify procedures or equipment, wherever practicable, so that full use can be made of an individual's abilities.

EMPLOYEE INVOLVEMENT

Employee involvement is discussed in detail in the Strategic Report.

CHARITABLE DONATIONS

The Company made donations of £34,827 (2018: £10,557) to a number of charities during the year.

POLITICAL CONTRIBUTIONS

The Group made no political contributions during the year (2018:£nil).

DIRECTORS' QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

Insurance has been purchased by the Ardonagh Group 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 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The auditors, Deloitte LLP, have indicated their willingness to continue in office, and are deemed to be reappointed under section 487(2) of the Companies Act 2006.

The Directors' Report was approved by Order of the Board



C D Ball
Director
10 September 2020

Independent auditors' report to the members of Swinton Group Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Swinton Group 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; 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 31.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (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.

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 directors' responsibilities statement, 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.

Matters on which we are required to report by exception

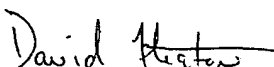
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.



David Heaton (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester
10 September 2020

Swinton Group Limited
Statement of Comprehensive Income
For the Year Ended 31 December 2019

Registration number: 00756681

	Note	2019 £'000	2018 £'000
TURNOVER	6	128,664	127,101
Administrative expenses		(111,198)	(156,995)
OPERATING PROFIT/(LOSS)	7	17,466	(29,894)
Analysed as:			
Operating profit/(loss) before exceptional items		29,985	(284)
Exceptional items	7	(12,519)	(29,610)
OPERATING PROFIT/(LOSS)	7	17,466	(29,894)
Interest receivable and similar income	10	1,690	1,466
Interest payable and similar expense	11	(3,234)	(379)
PROFIT/(LOSS) BEFORE TAXATION		15,922	(28,807)
Tax on profit/(loss)	12	(4,846)	(356)
RETAINED PROFIT/(LOSS)		11,076	(29,163)
OTHER COMPREHENSIVE INCOME			
Unrealised(loss)/profit on revaluation of properties	14	(5)	3
Total tax on components of other comprehensive income	12	20	4
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		15	7
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR		11,091	(29,156)

All results relate to continuing operations.

	Note	2019 £'000	2018 £'000
FIXED ASSETS			
Intangible assets	13	6,982	10,083
Tangible assets	14	6,295	8,965
Investments	15	3	3
		<hr/>	<hr/>
		13,280	19,051
CURRENT ASSETS			
Debtors: amounts falling due within one year	16	201,208	243,338
Debtors: amounts falling due after more than one year	16	15,756	17,499
Cash at bank and in hand		33,462	34,414
		<hr/>	<hr/>
		250,426	295,251
CREDITORS: Amounts falling due within one year	17	(101,128)	(162,984)
		<hr/>	<hr/>
NET CURRENT ASSETS		149,298	132,267
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		162,578	151,318
PROVISIONS FOR LIABILITIES	19	(6,440)	(12,271)
		<hr/>	<hr/>
NET ASSETS		156,138	139,047
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	21	15,128	15,128
Revaluation reserve		43	197
Merger reserve	22	6,000	-
Capital contribution reserve	22	88,715	88,715
Retained earnings		46,252	35,007
		<hr/>	<hr/>
TOTAL EQUITY		156,138	139,047
		<hr/>	<hr/>

The notes on pages 16 to 36 are an integral part of these financial statements.

The financial statements on pages 13 to 36 were approved by the board of directors on 10 September 2020 and signed on their behalf by:



C D BALL - DIRECTOR

Company number 00756681

	Called up share capital	Revaluation reserve	Other reserves (see note 22)	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
Balances as at 1 January 2018	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 of revaluation reserve	-	(540)	-	540	-
Balance as at 31 December 2018	15,128	197	88,715	35,007	139,047

	Called up share capital	Revaluation reserve	Other reserves (see note 22)	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
Balances as at 1 January 2019	15,128	197	88,715	35,007	139,047
Profit for the financial year	-	-	-	11,076	11,076
Other comprehensive income for the year	-	15	-	-	15
Total comprehensive income for the year	-	15	-	11,076	11,091
Consideration for transfer of business to fellow Group undertaking	-	-	6,000	-	6,000
Transfer of revaluation reserve	-	(169)	-	169	-
Balance as at 31 December 2019	15,128	43	94,715	46,252	156,138

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.

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 accounts, and its results are included in the consolidated accounts of its ultimate parent.

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 30.

b) Going concern

As shown in account note 31, 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 set out on pages 13 to 36 have been prepared on a going concern basis. At 31 December 2019, the Company had net assets of £156.1m (31 December 2018: £139.0m) and net current assets of £149.3m (31 December 2018: £132.2m). The Company reported an operating profit of £17.5m for the year ended 31 December 2019 (31 December 2018: loss £29.9m).

As further described in the post balance sheet events note (note 30), on 14th 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.

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:

4) STATEMENT OF ACCOUNTING POLICIES (continued)

b) Going concern (continued)

- 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.
- 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 6.5 years and 6 years respectively [to which the Company is a guarantor along with the other significant subsidiaries in the Group]. 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 2019 Going Concern stress testing indicated that revenues would need to decline by up to 30% compared to base case in the 7 quarters from Q2 2020, offset by certain discretionary cost cuts and headcount reductions but assuming that the cost base does not reduce at the same speed as revenue to reach the Group's 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.

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.

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 providing a reconciliation of the number of shares outstanding at the beginning and end of the period and also preparing a statement of cash flows on the basis that it is a qualifying entity and its results are consolidated into the results of Ardonagh Midco 3 which incorporates the Company's cash flows in its own consolidated financial statements.

4) STATEMENT OF ACCOUNTING POLICIES (continued)

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. In cases where customers are directed to a third-party premium credit provider, the Company is entitled to additional commission that is recognised at policy inception.

Where the provision of credit to customers has been provided internally, finance fees charged 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.

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. The WACC used to discount the expected cashflows is consistent with The Ardonagh Group Limited WACC of 15%, which reflects the effective borrowing rate for the Company as at the reporting date.

There have been no changes to the underlying assumptions in respect of the product lifetimes over which cashflows are expected to be generated, being 3 years, 2 years and 1 year, depending on the product. A one year increase in the product lifetimes across the products would give rise to an £8.1m increase in income in 2019. A 1% increase in the discount rate would give rise to a £0.3m decrease in income in 2019.

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.

4) STATEMENT OF ACCOUNTING POLICIES (continued)

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.

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 substantially 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.

4) STATEMENT OF ACCOUNTING POLICIES (continued)

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 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. Certain monies are held in separate Trust accounts on behalf of insurers and customers.

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) Contract costs - costs to obtain

Incremental fees paid to distributors (usually aggregator websites) for obtaining new business are amortised, on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates, over the average life of the relationship with the customer.

4) STATEMENT OF ACCOUNTING POLICIES (continued)

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.

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 publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

4) STATEMENT OF ACCOUNTING POLICIES (continued)

i) Financial assets (continued)

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.

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.

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 and 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 onerous contracts, 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.

vi) Contract costs - costs to obtain

Management review the average life of the relationship with the customer over which the transfer of the goods or services relates, to determine over what period the costs to obtain are recognised. Following a review during the year, this period was amended from 13 months to 25 months in respect of business incepted after 1 April 2019.

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.

	2019 £'000	2018 £'000
Insurance commission and fees	77,468	95,101
Third party premium credit income	16,236	-
Credit income	30,303	27,516
Claims income	4,108	4,119
Other	549	365
	<u>128,664</u>	<u>127,101</u>

7) OPERATING PROFIT/(LOSS)

	Note	2019 £'000	2018 £'000
Operating profit/(loss) is stated after charging/(crediting):			
Staff costs	9	46,361	54,895
Impairment of trade receivables		7,687	5,836
Amortisation of intangible fixed assets	13	4,456	7,162
Depreciation of tangible fixed assets	14	2,050	3,973
Impairment of tangible assets	14	-	1,376
Loss on disposal of fixed assets		599	742
Auditors' remuneration	8	288	360
Operating lease charges		2,658	392

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 profit:

	2019 £'000	2018 £'000
Reorganisation costs:		
– Restructuring	12,279	14,291
– IT	1,822	2,923
– Head office move	(8)	(2,421)
– Strategic and product development	203	9,466
Other exceptionals:		
– Onerous contracts	(338)	1,571
– Other	(1,462)	738
Regulatory costs	23	3,042
Total exceptional items	<u>12,519</u>	<u>29,610</u>

7) OPERATING PROFIT/(LOSS) (CONTINUED)

Reorganisation costs

During the year, the Company continued with its strategic investment plan, which included the completion of reshaping of the distribution network, which resulted in the closure of 53 branches (2018: 55 branches). Further investment was made to continue the digital transformation of the business to improve the customer experience and to drive business growth. In addition, following the Company's acquisition by the Ardonagh Group on 31 December 2018, there have been a number of one off costs incurred in relation to the integration of the business into the new Group.

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) in 2018.

Other exceptionals

The credits in other exceptionals relate primarily to the release of provisions previously recorded in respect of potential customer remediation, following the identification of certain incidents in 2018. During 2019, work was carried out to further investigate the incidents and remediate customers where required. This resulted in less cost being incurred than had been estimated at the outset and the associated provision being released.

The onerous contract credit arose following negotiations with the supplier to amend the terms of the contract, which resulted in a reduction to the required provision.

8) AUDITORS' REMUNERATION

The remuneration of the auditors is further analysed as follows:

	2019 £'000	2018 £'000
Fees payable to the company's auditors for the audit of the company's annual financial statements	240	300
Fees payable to the company's auditors and its associates for other services:		
– Tax services	-	-
– Other services	-	-
Auditors' Remuneration excluding VAT	240	300
Value Added Tax	48	60
Total amounts paid to auditors and charged to the statement of comprehensive income	288	360

9) DIRECTORS AND EMPLOYEE INFORMATION

	2019 £'000	2018 £'000
Directors' remuneration:		
Aggregate emoluments	450	1,229
Compensation for loss of office	-	60
Company contributions paid to pension schemes	1	69

	451	1,358
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	2019 Number	2018 Number
Members of money purchase pension schemes	1	4

	2019 £'000	2018 £'000
The amounts in respect of the highest paid director are as follows:		

Emoluments	451	474
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Company contributions paid to pension schemes	1	13
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	2019 £'000	2018 (restated*) £'000
Staff costs comprise:		
Wages and salaries	41,833	49,544
Social security costs	3,506	4,211
Other pension costs	1,022	1,140

	46,361	54,895
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Compensation payable to key management personnel	2,601	3,669
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* Amounts restated to reclassify pension contributions associated with employee salary sacrifice from Other pension costs to Wages and salaries

	2019 Number	2018 Number
The average monthly number of full time equivalent employees during the year was:		
Sales	655	954
Other operational	91	81
Support	357	494

	1,103	1,529
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10) INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £'000	2018 £'000
Bank interest receivable	265	56
Interest receivable from group undertakings	1,252	1,104
Other interest receivable	-	7
Other finance income	173	299
	<u>1,690</u>	<u>1,466</u>

11) INTEREST PAYABLE AND SIMILAR EXPENSE

	2019 £'000	2018 £'000
Interest payable to group undertakings	448	379
Interest payable on financing arrangement	2,786	-
	<u>3,234</u>	<u>379</u>

12) TAX ON PROFIT/(LOSS)

(a) Tax charge included in profit or loss

	2019 £'000	2018 £'000
<i>Current tax:</i>		
UK corporation tax at 19% (2018: 19%)	3,759	-
Adjustment in respect of prior years	-	(412)
	<u>3,759</u>	<u>(412)</u>
Total current tax	3,759	(412)
<i>Deferred tax:</i>		
Origination and reversal of temporary timing differences	1,447	329
Adjustments in respect of prior years	(360)	439
	<u>1,087</u>	<u>768</u>
Total deferred tax (see note 12(e))	1,087	768
	<u>4,846</u>	<u>356</u>
Tax on profit/(loss)	4,846	356

(b) Tax included in other comprehensive income

Deferred tax		
- Origination and reversal of timing differences	(20)	(4)
	<u>(20)</u>	<u>(4)</u>
Total tax credit include in other comprehensive income/(expense)	(20)	(4)

12) TAX ON PROFIT/(LOSS) (continued)

(c) Reconciliation of tax charge for the year:

The tax assessed for the year is higher (2018: higher) than the standard rate of corporation tax in the UK.

	2019 £'000	2018 £'000
Profit/(Loss) before taxation	15,922	(28,807)
Profit/(loss) multiplied by standard tax rate in the UK of 19% (2018: 19%)	3,025	(5,473)
Tax effect of expenses not deductible for tax purposes:		
- Goodwill amortisation	-	696
- Other	605	884
Adjustments in respect of prior years	(360)	27
Impact of change in tax rate	15	372
Losses transferred to group companies	-	3,850
Deferred tax expense from unrecognised tax loss	1,561	-
Total tax charge for the year (see note 12(a))	4,846	356

(d) Factors affecting current and future tax charges

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 asset would have been £0.3m higher.

(e) Deferred tax

	Recognised Asset at 1 January 2019 £'000	Recognised in income £'000	Recognised in equity £'000	Recognised Asset at 31 December 2019 £'000
Deferred taxation represents:				
Capital allowances	3,114	(1,087)	-	2,027
Short term timing differences	101	-	-	101
Revaluation of properties	(20)	-	20	-
	3,195	(1,087)	20	2,128

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.

In addition to the amount disclosed above, the Company has potential deferred tax assets at 31 December 2019 of £1.6m (2018: £Nil) in relation to fixed assets totalling £9.2m (2018: £Nil). This deferred tax asset has not been recognised in these accounts as they are not expected to reverse in the next 5 years.

The recognised deferred tax asset is included within other debtors (note 16).

13) INTANGIBLE ASSETS

	Purchased Goodwill £'000	Computer Software £'000	Total £'000
Cost			
At 1 January 2019	184,317	59,424	243,741
Additions	-	1,355	1,355
	<hr/>	<hr/>	<hr/>
At 31 December 2019	184,317	60,779	245,096
	<hr/>	<hr/>	<hr/>
Accumulated amortisation			
At 1 January 2019	183,275	50,383	233,658
Charge for the year	1,036	3,420	4,456
	<hr/>	<hr/>	<hr/>
At 31 December 2019	184,311	53,803	238,114
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2019	6	6,976	6,982
	<hr/>	<hr/>	<hr/>
At 31 December 2018	1,042	9,041	10,083
	<hr/>	<hr/>	<hr/>

14) TANGIBLE ASSETS

	Freehold Property £'000	Short Leasehold Property £'000	Equipment Furniture and Vehicles £'000	Total £'000
Cost or valuation				
At 1 January 2019	614	381	84,387	85,382
Additions	-	-	619	619
Disposals	(499)	-	(2,032)	(2,531)
Revaluation	(5)	-	-	(5)
At 31 December 2019	110	381	82,974	83,465
At valuation	110	381	-	491
At cost	-	-	82,974	82,974
	110	381	82,974	83,465
Accumulated depreciation				
At 1 January 2019	-	381	76,036	76,417
Charge for the year	-	-	2,050	2,050
Disposals	-	-	(1,297)	(1,297)
At 31 December 2019	-	381	76,789	77,170
Net book value				
At 31 December 2019	110	-	6,185	6,295
At 31 December 2018	614	-	8,351	8,965

Freehold and long leasehold properties to the value of £110,000 (2018: £614,000) were valued at 31 December 2019 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 2019 amounted to £67,000 (2018: £397,000).

15) INVESTMENTS

	Unlisted Investment £'000	Total £'000
At 1 January and 31 December 2019	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 2019 are shown in note 26.

16) DEBTORS

	2019 £'000	2018 £'000
Debtors: amounts falling due within one year		
Insurance debtors	20,856	88,790
Amounts owed by group undertakings	64,028	41,000
Amounts owed by immediate parent company	84,058	82,806
Other debtors	2,591	3,626
Prepayments and accrued income	29,675	27,116
	<u>201,208</u>	<u>243,338</u>
Debtors: amounts falling due after more than one year		
Prepayments and accrued income	15,756	17,499
	<u>15,756</u>	<u>17,499</u>
Total debtors	<u>216,964</u>	<u>260,837</u>

Included within total prepayments and accrued income is £32,133,000 (2018: £35,651,000) 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 owed by group undertakings and the immediate parent undertaking are unsecured, have no fixed date of repayment and are repayable on demand. Interest is charged on the amounts owed by the immediate parent company. The amounts owed by group undertakings are interest free.

17) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£'000	£'000
Asset backed financing (note 18)	4,341	72,072
Trade creditors	1,153	2,315
Insurance creditors	41,200	46,005
Amounts owed to group undertaking	27,179	24,240
Corporation tax	195	-
Other taxation and social security	823	1,057
Other creditors	3,375	2,038
Accruals and deferred income	22,862	15,257
	<u>101,128</u>	<u>162,984</u>

Insurance creditors includes £2,733,000 (2018: £2,507,000) 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.

Amounts owed to group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Interest is charged on the amounts due.

18) FINANCING

	2019	2018
	£'000	£'000
Asset backed financing arrangement	4,341	72,072
Total	<u>4,341</u>	<u>72,072</u>
Amounts falling due:		
In one year or less	4,341	72,072
	<u>4,341</u>	<u>72,072</u>

£4.3m (2018: £72.1m) 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 16 month term.

19) PROVISIONS FOR LIABILITIES

	Restructuring Provision £'000	Other Provisions £'000	Total £'000
At 1 January 2019	5,544	6,727	12,271
Charge/(credited) to statement of comprehensive income	7,456	(1,574)	5,882
Transfers	1,031	(1,031)	-
Utilised during the year	(10,952)	(761)	(11,713)
	<hr/>	<hr/>	<hr/>
At 31 December 2019	3,079	3,361	6,440
	<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 profit and loss are included within the exceptional items disclosed in note 7.

Other provisions include £249,000 (2018: £1,845,000) for the potential cost of refunds to customers as well as miscellaneous write offs. 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 of the provision will be utilised during 2020. A provision has not been recorded for potential refunds to customers or miscellaneous write offs where it is less than probable that there will be a transfer of economic benefit and/or where the amounts of the obligation cannot be measured reliably.

The remaining provision relates largely to dilapidations for occupied leasehold properties £1,503,000 (2018: £2,534,000), professional indemnity claims of £565,000 (2018: £748,000) and onerous contracts £1,044,000 (2018: £1,571,000).

20) FINANCIAL INSTRUMENTS

The Company has the following financial instruments:

	2019 £'000	2018 £'000
Financial assets measured at amortised cost:		
- Insurance debtors	20,856	88,790
- Amounts owed by group undertakings	64,028	41,000
- Amounts owed by immediate parent company	84,058	82,806
- Other debtors	518	430
- Accrued income	32,133	35,651
- Cash at bank and in hand	33,462	34,414
	<hr/>	<hr/>
	235,055	283,091
	<hr/>	<hr/>
Financial liabilities measured at amortised cost:		
- Asset backed financing arrangement	(4,341)	(72,072)
- Insurance creditors	(41,200)	(46,005)
- Trade creditors	(1,153)	(2,315)
- Amounts owed to subsidiary undertaking	(27,179)	(24,240)
- Accruals	(13,568)	(13,880)
- Other creditors	(1,383)	(2,038)
	<hr/>	<hr/>
	(88,824)	(160,550)
	<hr/>	<hr/>

21) CALLED UP SHARE CAPITAL

	2019 £'000	2019 Number	2018 £'000	2018 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	Merger reserve	Total Other reserves
	£'000	£'000	£'000
At 1 January 2019	88,715	-	88,715
Consideration for transfer of business to fellow Group undertaking	-	6,000	6,000
At 31 December 2019	88,715	6,000	94,715

On 1 October 2019, Swinton Business Regional Network was transferred into Towergate, the Insurance Broking segment of The Ardonagh Group, for a consideration of £6m.

23) CAPITAL COMMITMENTS

	2019 £'000	2018 £'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:

	2019 £'000	2018 £'000
Not later than one year	97	304
Between 1-5 years	288	1,264
Later than 5 years	12,402	14,377
	12,787	15,945

25) ACQUISITIONS

There were no acquisitions in 2019 or 2018.

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 %
EIBL Management Limited	Intermediate holding company	100
EIBL 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 Ardonagh Group. There are no other related party transactions to disclose.

28) DIVIDENDS

	2019 £'000	2018 £'000
Equity dividends paid on ordinary shares of £1 each:		
Dividend of £Nil (2018: £Nil) per share	-	-

29) CONTINGENT LIABILITIES

The Company is a guarantor of the wider Ardonagh Group's debt, which is in the form of Senior Secured Notes. 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. (see note 4b).

In relation to the interim third party financing arrangement which was put in place in December 2018, the Company has granted a fixed charge over the underlying insurance debtors sold and the associated monies to be collected. The balance on the arrangement reduced to £nil in April 2020.

30) POST BALANCE SHEET 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 will also be used to fund the acquisition of Bennetts Motorcycling Services Limited.

31) ULTIMATE PARENT COMPANY & CONTROLLING PARTY

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

The Company's 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 1 Minster Court, London, EC3R 7AA). Financial statements for The Ardonagh Group Limited and Ardonagh Midco 3 plc are available on request from:

2 Minster Court
Mincing Lane
London
EC3R 7AA