Registration number: 02696420

Morgan Law Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019

Morgan Law Limited

Contents

Morgan Law Limited

Company Information

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

Morgan Law Limited

Strategic Report for the Year Ended 31 December 2019

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

Principal activity and business review

The principal activity of the Company is the provision of insurance services, with a focus on the provision of construction and property insurance. As part of the wider group segmental strategy, on 16 July 2018 and 6 November 2018 the Company disposed of its Personal and Commercial lines operations respectively, to Towergate Underwriting Group Limited under common control. These transactions resulted in the Company being placed into run-off.

The results for the Company show turnover of £189,688 (2018: £2,264,707) and profit before tax of £186,565 (2018: £326,705) for the year. At 31 December 2019 the Company had net assets of £9,322,496 (2018: £9,175,037). The going concern note (part of accounting policies) on page 14 sets out the reasons why the directors believe that the preparation of the financial statements on the basis other than a going concern is appropriate.

Outlook

On 16 July 2018 and 6 November 2018, the Company disposed of its ongoing trade and related assets to Towergate Underwriting Group Limited, a fellow Group company, and has been in run-off from these dates. It is the directors' intention to liquidate the Company once the run-off process has completed.

The unprecedented and rapidly evolving nature of the global Covid-19 pandemic (including short-term and long term effects thereof) creates unprecedented and extraordinary uncertainties for most businesses including Morgan Law Limited. However, as the Company is in run-off, the economic impact of the pandemic is not expected to be material.

Key performance indicators

Key Performance Indicators are of limited relevance in the current year as a result of the Company having been in run-off for more than 12 months. Non-financial key performance indicators include staffing levels which have remained at zero throughout the year.

Risk management

The Company has a comprehensive strategy for the identification, mitigation and management of risk. A wide-ranging assessment of business risks has been undertaken resulting in the compilation of a risk register. The risk register is subject to discussion at regular Risk Management Committee meetings and the Company's ongoing risk management ensures there is appropriate reporting from the business which will highlight changes in risk profile to the Risk Management Committee. The risks are managed and monitored to be within the agreed risk appetite. If a risk exceeds appetite, management actions will be put in place to bring it within appetite.

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

Regulatory and legal risk

This is the risk of regulatory sanctions, material financial loss or loss to reputation suffered as a result of non-compliance with laws, regulations and applicable administrative provisions. This risk is mitigated by a proactive relationship with the Financial Conduct Authority, a dedicated compliance function, and a compliance monitoring programme. Furthermore, there is a control framework that has been rolled out and embedded within the culture throughout the Group to reduce the risk of errors and non-compliance.

Financial risk

There is the risk of adverse impact on business value as well as risk of inadequate cash flow to meet financial obligations. This risk is mitigated by proactive management of the business plan, regular monitoring of cash flows against risk appetite and a focus on debt collection.

Impact of Covid-19

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

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

General Data Protection Regulation

The Company's computer systems store information about its customers, some of which is sensitive personal data. Database privacy, identity theft and related computer and internet issues are matters of growing public concern and are subject to changes in rules and regulations. Our failure to adhere to or successfully implement processes in response to changing regulatory requirements in this area could result in legal liability or harm to our reputation. Although the Company has taken reasonable and appropriate security measures to prevent unauthorised access to information stored in our database and to ensure that our processing of personal data complies with the relevant data protection regulations, our technology may fail to adequately secure the private information we maintain in our databases and protect it from theft or inadvertent loss.

Future impact of Brexit

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

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

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

Approved by the board on 15 October 2020 and signed on its behalf by:

D Cougill
Director

Morgan Law Limited

Directors' Report for the Year Ended 31 December 2019

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

Directors of the Company

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

A Erotocritou (resigned 1 August 2019)

R L Worrell (resigned 17 December 2019)

D Cougill (appointed 1 August 2019)

D C Ross (appointed 17 December 2019)

Dividends

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

Financial risk management objectives and policies

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

Future developments

Details of future developments can be found in the Strategic Report within the 'Outlook' section on page 2.

Political donations

The Company has not made any political donations during the year (2018: £Nil).

Going concern

In November 2018, the directors took the decision to cease trading following the disposal of the Company's trade and assets, and the Company is in run-off. As there is no intention to acquire replacement trade, the directors have prepared the financial statements on a basis other than a going concern.

Subsequent events

Details of subsequent events can be found in the notes to the financial statements within the 'Subsequent events' note on page 24.

Directors' liabilities

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

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditor

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

Approved by the board on 15 October 2020 and signed on its behalf by:

D Cougill
Director

Morgan Law Limited

Directors' Responsibilities Statement

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 Financial Reporting Standard 101 'Reduced Disclosure Framework'.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to 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.

Morgan Law Limited

Independent Auditor's Report to the members of Morgan Law Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Morgan Law Limited ("the Company"):

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

We have audited the financial statements which comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 20.

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

Basis for opinion

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

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

Emphasis of matter - Financial statements prepared other than on a going concern basis

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

Other information

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

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

We have nothing to report in respect of these matters.

Independent Auditor's Report to the members of Morgan Law Limited (continued)

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 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.

Independent Auditor's Report to the members of Morgan Law Limited (continued)

Use of our report

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

Claire Clough.

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

Date: 15 October 2020

Morgan Law Limited

Statement of Comprehensive Income for the Year Ended 31 December 2019

	Note	2019 £	2018 £
Commission and fees	4	189,688	2,264,707
Administrative expenses		(1,930)	(1,606,282)
Impairment of financial assets		(1,193)	3,914
Loss on disposal of goodwill	5	-	(334,033)
Operating profit	5	186,565	328,306
Finance costs	6	-	(1,601)
Profit before tax		186,565	326,705
Income tax (charge)/credit	9	(39,106)	(110,206)
Net profit for the year		147,459	216,499

The above results were derived from discontinued operations.

Morgan Law Limited

Statement of Financial Position as at 31 December 2019

	Note	2019 £	2018 £
Current assets			
Property, plant and equipment	10	3,011	4,417
Other financial assets	11	-	1
Trade and other receivables	12	16,327,920	16,340,083
Cash and cash equivalents	13	152,116	1,654,141
		16,483,047	17,998,642
Current liabilities			
Trade and other payables	14	7,157,156	8,710,237
Income tax liability		3,395	74,060
		7,160,551	8,784,297
Net current assets		9,322,496	9,214,345
Total assets less current liabilities		9,322,496	9,214,345
Non-current liabilities			
Provisions		-	39,308
Net assets		9,322,496	9,175,037
Equity			
Called up share capital	15	601,000	601,000
Retained earnings*		4,233,852	4,086,393
Merger reserve		4,487,644	4,487,644
		9,322,496	9,175,037

*The Company subsumed its Capital contribution reserve, which was previously presented separately, within retained losses. The amount subsumed was £(251) at 31 December 2018.

Approved by the board on ..15 October 2020.. and signed on its behalf by:

D Cougill
Director

Morgan Law Limited

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

	Share capital £	Merger reserve £	Retained earnings £	Total £
At 1 January 2019	601,000	4,487,644	4,086,393	9,175,037
Net profit for the year	-	-	147,459	147,459
At 31 December 2019	601,000	4,487,644	4,233,852	9,322,496

	Share capital £	Merger reserve £	Retained earnings* £	Total £
At 1 January 2018	601,000	-	3,824,393	4,425,393
Adjustment to opening balance	-	-	45,250	45,250
Net profit for the year	-	-	216,499	216,499
On discontinued operations	-	4,487,644	-	4,487,644
Capital contribution - share based payment	-	-	251	251
At 31 December 2018	601,000	4,487,644	4,086,393	9,175,037

*The Company subsumed its Capital contribution reserve, which was previously presented separately, within retained earnings. The amount subsumed was £(251) at 31 December 2018.

The £45,250 adjustment to opening retained earnings is a result of the adoption of IFRS 9 and IFRS 15 from 1 January 2018. The Company adopted these standards applying the modified retrospective approach without restatement. Of the adjustment above £1,310 relates to IFRS 9 and £46,560 relates to IFRS 15.

In 2018, the Company disposed of business and assets to the fellow group entities. This resulted in the creation of a £4,487,644 merger reserve balance.

1 General information

The Company is a private company limited by share capital incorporated and registered in England, United Kingdom. The Company's registered office is 2 Minster Court, Mincing Lane, London EC3R 7PD. The principal activity of the Company is disclosed on page 2 within the 'Strategic Report'.

These financial statements for the period ended 31 December 2019 were authorised by the board on 15 October 2020 and the Statement of Financial Position was signed on the board's behalf by D Cougill.

2 Accounting policies

Basis of preparation

These financial statements were prepared in accordance with Financial reporting Standard 101 'Reduced Disclosure Framework'.

The financial statements are presented in GBP sterling (£), which is also the Company's functional currency. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities measured at fair value.

The adoption of IFRS 16, several amendments to standards and an interpretation are mandatorily effective for annual periods beginning on 1 January 2019. None of these had a material effect on the Company's financial statements.

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.

Summary of disclosure exemptions

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has taken advantage of the following disclosure exemptions under FRS 101 where relevant:

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

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

• the requirements of IFRS 7 Financial Instruments: Disclosures and of paragraphs 91-99 of IFRS 13 Fair Value Measurement apart from those which are relevant for the financial statements which are held at fair value not held as part of a trading portfolio;

• the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to provide comparative period reconciliations in respect of outstanding shares, property, plant & equipment and intangible assets;

2 Accounting policies (continued)

• the requirements in paragraph 10(d) and 111 of IAS 1 Presentation of Financial Statements to prepare a Cash flow statement and the requirements in IAS 7 Statement of Cash Flows regarding the same;

• the requirements in paragraph 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements, which includes the need to provide details on capital management;

• the requirements of paragraphs 30 and 31 in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors regarding disclosure of new IFRS standards not yet effective at the reporting date and their potential impact;

• the requirements in paragraphs 17 and 18A of IAS 24 Related Party Disclosures around the need to disclose information on key management personnel and details on related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member;

• the requirements of paragraphs 134(d) - 134(f) and 135(c) - 135(e) of IAS 36 Impairment of Assets in respect of disclosure of assumptions on which projections used in the impairment review are based and sensitivity analysis.

Equivalent disclosures are included in the Group's consolidated financial statements as required by FRS 101 where exemptions have been applied.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the 'Critical accounting judgements and key sources of estimation uncertainty' on page 17.

Going Concern

In November 2018, the directors took the decision to cease trading following the disposal of the Company's trade and assets, and the Company is in run-off. As there is no intention to acquire replacement trade, the directors have prepared the financial statements on an other than going concern basis. At 31 December 2019 the Company had net assets of £9,322,496 (2018: £9,175,037).

The book value of the Company's assets and liabilities are deemed to be a reasonable approximation of fair value. The subsidiary's decision to cease taking on new business triggered an impairment review that found no impairment was necessary. There have been no adjustments as a result of the use of a basis other than going concern.

Property, plant and equipment

Assets are stated at their net book value (historical cost less accumulated depreciation). Depreciation is calculated to write off the cost of such assets on a straight-line basis over their estimated useful lives.

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

Where assets under construction projects are incomplete, costs are capitalised as work in progress and included within property, plant and equipment assets. These costs are not subject to depreciation until completion of the project.

At the reporting date, the Company's principal rates of depreciation were as follows:

Asset class	Depreciation method and rate
Leasehold improvements	Over the remaining life of the lease

2 Accounting policies (continued)

Financial instruments

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

Trade and other receivables represent amounts due from related parties. They are recognised initially at fair value and subsequently at amortised cost, less provision for impairment.

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

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

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

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

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

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

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

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

The Company utilises the practical expedient in IFRS 15 not to adjust the amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between when the Company transfers a service to a customer and when the customer pays for that service will be one year or less.

2 Accounting policies (continued)

Taxation

The tax expense for the period comprises current tax. Income tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity.

Current tax

Current tax is recognised for the amount of tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, deferred tax is reversed. Deferred tax assets and deferred tax liabilities are only offset if there is a legally enforceable right to set off current tax assets against current tax liabilities. Deferred tax asset and the deferred tax liability can only be offset when they relate to income taxes levied by the same taxation authority. Where deferred tax is offset on different taxable entities this is allowed when it is intending either to settle current tax assets or liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously.

Employee benefits

Pension costs

The Company operates a number of defined contribution pension schemes. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity.

The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The costs of the Company's defined contribution pension schemes are charged to the income statement in the period in which they fall due.

Share incentive plans

The Company operates an equity-settled, share-based compensation plan, under which the Company receives services from employees as consideration for the award of Management Incentive Plan shares ("MIP"). MIP shares have no dividend or voting rights and cannot be sold, they are convertible to ordinary shares of the Ardonagh Group on occurrence of a crystallisation event, this being defined as the earlier of a liquidity event an Initial Public Offering or a winding-up.

The Company has the option to repurchase MIP shares if employees leave the Company prior to the occurrence of a crystallisation event. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense, measured based on the fair value of the options granted and recognised on a straight-line basis over the vesting period. At the end of each reporting period the Company assesses the length of the vesting period based on the most likely date of crystallisation, and where a crystallisation event is not deemed probable, no expense is recognised.

2 Accounting policies (continued)

Financial guarantees

Contracts meeting the definition of a financial guarantee are recognised at fair value under IFRS 9, or under IFRS 4 'Insurance Contracts' where the conditions required in order for it to be regarded as an insurance contract are satisfied. This is determined on a contract by contract basis, depending on whether the risk transferred represents a financial risk or an insurance risk.

3 Critical accounting judgements and key sources of estimation uncertainty

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

There are no critical accounting judgements that would have a significant effect on the amounts recognised in the Company's financial statements or key sources of estimation uncertainty at the Statement of Financial Position date that would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4 Turnover

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

	2019 £	2018 £
Commission and fees	189,688	2,190,634
Trading deals	-	74,073
	189,688	2,264,707

Turnover consists entirely of sales made in the United Kingdom.

5 Operating profit

Arrived at after charging:

	2019 £	2018 £
Depreciation expense	1,404	12,962
Auditor's remuneration: audit of these financial statements	21,756	17,530
Operating lease expense - property	-	157,081
Management charge paid to parent	-	367,528
Goodwill write-offs	-	334,033

6 Finance costs

	2019 £	2018 £
Interest on obligations under finance leases and hire purchase contracts	-	1,174
Interest expense on other financing liabilities	-	427
	-	1,601

Interest expense on other financing liabilities represents unwinding of discount calculated on provisions.

7 Staff costs

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

	2019 £	2018 £
Wages and salaries	-	776,429
Social security costs	-	80,096
Pension costs, defined contribution scheme	-	9,656
	-	866,181

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

	2019 No.	2018 No.
Administration	-	3
Sales	-	11
	-	14

8 Directors' remuneration

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

Morgan Law Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

9 Income tax

Tax charged in the Statement of Comprehensive Income

	2019 £	2018 £
Current taxation		
UK corporation tax	(35,714)	(63,138)
UK corporation tax adjustment to prior periods	(3,392)	2
	(39,106)	(63,136)
Deferred taxation		
Arising from origination and reversal of temporary differences	-	(47,070)
Tax expense in the Statement of Comprehensive Income	(39,106)	(110,206)

The differences are reconciled below:

	2019 £	2018 £
Profit before tax	186,565	326,705
Corporation tax at standard rate of 19% (2018: 19%)	(35,447)	(62,074)
Corporation tax adjustment for prior periods	(3,392)	2
Effect of expenses not deductible in determining taxable profit (tax loss)	-	(2,350)
Fixed asset differences	(267)	(51,322)
Tax credit relating to changes in tax rates or laws	-	5,538
Tax expense in the Statement of Comprehensive Income	(39,106)	(110,206)

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

10 Property, plant and equipment

	Leasehold improvements £	Total £
Cost or valuation		
At 1 January 2019	6,292	6,292
At 31 December 2019	6,292	6,292
Depreciation		
At 1 January 2019	1,875	1,875
Charge for the year	1,404	1,404
On discontinued operations	2	2
At 31 December 2019	3,281	3,281
Carrying amount		
At 31 December 2019	3,011	3,011
At 31 December 2018	4,417	4,417

11 Other financial assets

	2019 £	2018 £
Non-current financial assets		
Financial assets at fair value through Other Comprehensive Income	-	1

12 Trade and other receivables

	2019 £	2018 £
Current trade and other receivables		
Trade receivables in relation to insurance transactions	21,517	152,486
Provision for impairment of trade receivables	(6,778)	(5,584)
Net trade receivables	14,739	146,902
Receivables from other Group companies	16,313,181	16,193,181
	16,327,920	16,340,083

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

Morgan Law Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

13 Cash and cash equivalents

	2019 £	2018 £
Cash at bank	152,116	1,654,141

Cash at bank includes £(69,491) (2018: £1,270,931) which constitutes restricted client money and insurer money and £200,131 (2018: £200,131) in office accounts which are considered restricted and not available to pay the general debts of the Company.

14 Trade and other payables

	2019 £	2018 £
Current trade and other payables		
Trade payables in relation to insurance transactions	38,455	1,269,431
Amounts due to other Group companies	7,118,701	7,440,806
	7,157,156	8,710,237

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

15 Share capital

Allotted, called up and fully paid shares

	2019 No.	2019 £	2018 No.	2018 £
Ordinary shares of £1 each	601,000	601,000	601,000	601,000

16 Pension and other schemes

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £Nil (2018: £9,656).

17 Commitments

Guarantees

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

On 20 June 2017, Ardonagh Midco 3 plc issued £400.0m of 8.375% Senior Secured Notes and USD520.0m of 8.625% Senior Secured Notes (together, the Notes). On 22 June 2017, the £425.0m Senior Secured Notes and £75.0m floating rate super Senior Secured Notes issued by the Company in April 2015 were redeemed.

On 20 December 2017, Ardonagh Midco 3 plc issued an additional £55.0m of 8.375% Senior Secured Notes which are fungible with the existing GBP Senior Secured Notes issued on 20 June 2017. On the same date the commitments under the RCF were increased to £105.0m.

On 18 June 2018, Ardonagh Midco 3 plc issued an additional £98.3m of 8.375% Senior Secured Notes which are fungible with the existing GBP Senior Secured Notes issued on 20 June 2017 and 20 December 2017.

On 26 September 2018, the Group's RCF was amended and restated to include an additional £50.0m facility made available solely to provide a Letter of Credit ancillary facility for the same amount. On 5 October 2018, a letter of credit of £50.0m was issued for the benefit of specified entities within the Group solely to provide credit support in respect of potential redress liabilities relating to the sale of certain enhanced transfer value products (ETV). With effect from 1 December 2019, the contractual limitation on the amount that may be utilised of the Group's RCF was removed. As at 31 December 2019, the RCF facility capacity was £120m and undrawn.

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

The obligations of Ardonagh Midco 3 plc under the Notes, RCF, and the subsequently issued additional 8.375% and 8.625% notes, are guaranteed and secured by Ardonagh Midco 2 plc, the immediate parent company of Ardonagh Midco 3 plc, and all its material and certain other subsidiaries. These subsidiaries are listed below:

Ardonagh Midco 3 plc (RCF Guarantor only)	Ardonagh Finco plc
Nevada Investment Holdings 5 Limited	Morgan Law Limited
Nevada Investment Holdings 6 Limited	Paymentshield Group Holdings Limited
Nevada Investment Holdings 7 Limited	Paymentshield Holdings Limited
Nevada Investments TopCo Limited	Paymentshield Limited
Nevada Investments Holdings Limited	Paymentshield Services Limited
Nevada InvestorCo Limited	Ardonagh Midco 2 plc
Nevada Investments 1 Limited	Ardonagh Services Limited
Nevada Investments 2 Limited	Towergate Risk Solutions Limited
Nevada Investments 3 Limited	Towergate Underwriting Group Limited
Nevada Investments 4 Limited	PFIH Limited

17 Commitments (continued)

Nevada Investments 5 Limited	Price Forbes & Partners Limited
Nevada Investments 6 Limited	Price Forbes Holdings Limited
Nevada Investments 7 Limited	URIS Group Limited
Arista Insurance Limited	Millennium Insurance Brokers Limited
Broker Network Holdings Limited	URIS Central Administration Limited
CCV Risk Solutions Limited	URIS Topco Limited
Cullum Capital Ventures Limited	Chase Templeton Group Limited
Four Counties Insurance Brokers Limited	Chase Templeton Holdings Limited
Geo Specialty Group Holdings Limited	Chase Templeton Limited
Geo Underwriting Services Limited	Ardonagh Advisory Holdings Limited
Lunar 101 Limited	Ardonagh Specialty Holdings Limited
Bishopsgate Insurance Brokers Limited	Swinton Group Limited
Atlanta Investment Holdings Limited	Swinton (Holdings) Limited
Atlanta Investment Holdings A Limited	Swinton Properties Limited
Atlanta 1 Insurance Services Limited	KDB Medicals Limited
Carole Nash Insurance Consultants Limited	Health and Protection Solutions Limited

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

18 Related party transactions

During the period the Company entered into transactions, in the ordinary course of business, with a number of related parties. The Company has taken the exemption under FRS 101 not to disclose transactions with fellow wholly owned subsidiaries or key management personnel.

19 Parent and ultimate parent undertaking

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

2 Minster Court
Mincing Lane
London
EC3R 7PD

20 Subsequent events

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

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