

PFIH Limited

Annual report and
financial statements

For the year ended 31 December 2018

Registered Number 05574861



PFIH LIMITED

CONTENTS

	Page
Company information and professional advisors	1
Strategic report	2
Directors' report	3
Statement of directors' responsibilities	4
Independent auditor's report	5 - 6
Statement of comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Notes to the Financial Statements	10 - 16

PFIH LIMITED

1

COMPANY INFORMATION AND PROFESSIONAL ADVISORS

DIRECTORS:

J Masterton
R Peers
A Erotocritou

REGISTERED OFFICE:

2 Minster Court
Mincing Lane
London
EC3R 7PD
United Kingdom

BANKERS:

The Royal Bank of Scotland
280 Bishopsgate
London
EC2M 4RB
United Kingdom

SOLICITORS:

Freshfields
65 Fleet Street
London
EC4Y 1HS
United Kingdom

REGISTERED INDEPENDENT AUDITORS:

Deloitte LLP
Statutory Auditor
Hill House, 1 Little New Street
London
EC4A 3TR
United Kingdom

STRATEGIC REPORT

The directors present their strategic report on the Company for the year ended 31 December 2018

Key Performance Indicators

Given the nature of the business the Directors are of the opinion that KPIs are not relevant in monitoring the performance of the business.

Principle Risks and Uncertainties

As a holding company, the greatest risk and uncertainty the company faces is market risk associated with the value of its investment in subsidiaries which are held at cost. Deterioration in the performance of these underlying businesses could reduce the value of the company's investments.

The directors do not anticipate any significant change in the Company's activities in the foreseeable future as it will continue to be a holding company.

The company has minimal risk in respect of liquidity, credit and operational risk.

Approved by the Board of Directors on 29th October 2019

and signed on behalf of the Board by

A handwritten signature in black ink, appearing to read 'J A Masterton', with a horizontal line underneath.

J A Masterton
Chief Executive Officer

DIRECTORS' REPORT

Principal Activities

The principal activity of the Company during the year was that of parent for its subsidiaries which act as brokers in insurance and reinsurance markets.

Results and Dividends

The Company's profit for the financial year is £97m (2017: loss of £5.4m) and an equivalent amount has been transferred to reserves. During the year no dividend (2017: nil) was paid to the Company's parent.

Directors

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

B J Hurst-Bannister (Non Executive Director) (resigned 31st March 2019)

J Masterton

R Peers

A Erotocritou

Disclosure of Information to Auditor

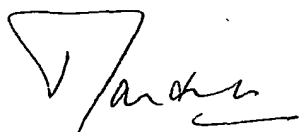
Following a formal tender process Deloitte LLP was appointed as the Company's auditor during 2018.

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent Auditor

Deloitte LLP, the Company's independent auditor, has expressed its willingness to continue in office.

The financial statements on pages 7 to 15 were approved by the Board of Directors on 29th October 2019 and signed on behalf of the Board by

A handwritten signature in black ink, appearing to read 'J A Masterton', written over a large, stylized, hand-drawn 'V' or checkmark symbol.

J A Masterton
Chief Executive Officer

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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 judgements 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
PFIH LIMITED****REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS****Opinion**

In our opinion the financial statements of PFIH Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31st December 2018 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 17.

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 accounts, 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

PRICE FORBES HOLDINGS 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 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.



Andrew Downes (Senior Statutory Auditor)

For and on behalf of Deloitte LLP, Statutory Auditor

London

United Kingdom

29th October 2019

STATEMENT OF COMPREHENSIVE INCOME**For the year ended 31 December 2018**

	Note	2018 £'000	2017 (restated) £'000
TURNOVER		2,500	2,500
Administrative expenses	2	(1,096)	(3,581)
Other operating income		<u>-</u>	<u>517</u>
OPERATING PROFIT		1,404	(564)
Profit on sale of investment	5	94,140	-
Gains on derivative instruments	14	1,815	17,761
Interest payable and similar expenses	3	<u>-</u>	<u>(79)</u>
PROFIT BEFORE TAXATION		97,359	17,118
Tax on profit	10	<u>(406)</u>	<u>(4,513)</u>
PROFIT FOR THE FINANCIAL YEAR	11	<u>96,953</u>	<u>12,605</u>
Other comprehensive income for the year, net of tax		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>96,953</u>	<u>12,605</u>

All activities derive from continuing operations.

Notes from pages 10-16 forms part of the financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018


	Note	31st December 2018 £'000	31st December 2017 £'000
FIXED ASSETS			
Intangible Assets	4	22	49
Investments	5	595	7,000
CURRENT ASSETS			
Debtors	6	118,427	14,222
Cash at bank and in hand		-	1
		<u>118,427</u>	<u>14,223</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	7	<u>(3,487)</u>	<u>(4,649)</u>
NET CURRENT ASSETS		<u>114,940</u>	<u>9,574</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		115,557	16,623
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	8	(1,249)	-
PROVISIONS FOR LIABILITIES	9	<u>(4,398)</u>	<u>(3,666)</u>
NET ASSETS		<u>109,910</u>	<u>12,957</u>
CAPITAL AND RESERVES			
Called up share capital	12	881	881
Share Premium	11	642	642
Other reserves	11	460	460
Capital Redemption reserve	11	50	50
Profit and loss account	11	<u>107,877</u>	<u>10,924</u>
TOTAL SHAREHOLDERS' FUNDS	11	<u>109,910</u>	<u>12,957</u>

Notes from pages 10-16 forms part of the financial statements.

The financial statements were approved by the board of directors on 29th October 2019 and were signed on its behalf by:



A Erotocritou



J A Masterton

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Called up Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000	Other reserves £'000	Total share- holders' funds £'000
At 1 January 2018	881	642	50	10,924	460	12,957
Total comprehensive income for the financial year	-	-	-	96,953	-	96,953
At 31 December 2018	881	642	50	107,877	460	109,910

	Called up Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000	Other reserves £'000	Total share- holders' funds £'000
At 1 January 2017	881	642	50	(1,681)	460	352
Total comprehensive income for the financial year	-	-	-	12,605	-	12,605
At 31 December 2017	881	642	50	10,924	460	12,957

Notes from pages 10-16 forms part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2018****1. ACCOUNTING POLICIES**

PFIH Limited ("the Company") acts as parent for its subsidiaries which act as brokers in insurance and reinsurance markets.

The Company is a private Company limited by shares and is incorporated in the United Kingdom under the Companies Act 2006 and domiciled in England.

The address of its registered office is 2 Minster Court, Mincing Lane, London. EC3R 7PD.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

(a) Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and UK applicable accounting standards (including Financial Reporting Standards 102) under the historical cost convention. Derivative instruments (see Note 14) are noted at Fair Value.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

There are no critical accounting judgements made in applying the Company's accounting policies.

However, the Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The directors have taken advantage of the disclosure exemption not to prepare consolidated financial statements, a cash flow statement or disclose related party transactions (see notes 1b, 1c and 1f).

(b) Consolidated financial statements

Consolidated financial statements have not been prepared in accordance with section 9 of FRS 102 as the Company is entitled to the exemption conferred by Section 400 of the Companies Act 2006 not to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Ardonagh Midco 3 Limited, a company incorporated in England and Wales. Accordingly, these financial statements present financial information about the Company as an individual undertaking and not about its group.

(c) Cash flow statement

The Company has taken advantage of the exemption conferred by Section 7 of FRS 102 from presenting a cash flow statement on the grounds that consolidated group financial statements are prepared by the parent undertaking.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2018****1. ACCOUNTING POLICIES (continued)****(d) Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(e) Turnover

Turnover consists of the management fee charged to a fellow subsidiary of the The Ardonagh Group Limited for utilisation of the Price Forbes brand.

(f) Related party disclosures

As the Company is a wholly owned subsidiary of Ardonagh Specialty Holdings Limited and indirect subsidiary of The Ardonagh Group Limited, the Company has taken advantage of the exemption contained in Section 33 of FRS 102 and has therefore not disclosed transaction or balances with entities which form part of the group headed by The Ardonagh Group Limited ("the Group") (or investees of the Group qualifying as related parties). The consolidated financial statements of The Ardonagh Group Limited, within which the results of this Company is included, can be obtained from the address given in Note 17.

(g) Investments

Investment held as fixed assets are shown at cost less provision for impairment.

Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable impairments are calculated such that the carrying value of the fixed asset investment is the lower of its cost or recoverable amount.

Recoverable amount is the higher of its net realisable value and its value in use.

(h) Intangible assets

Goodwill represents the excess of the cost of acquisition over the fair value of the net identifiable assets acquired. Goodwill is amortised over its estimated useful economic life.

The amortisation basis on the intangible is straight line over five years and reflects the expected useful economic life of the asset.

The intangible asset represents acquisition costs for books of business which transferred in 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. ACCOUNTING POLICIES (continued)

(i) Other operating income

Other operating income represents interest earned and is accounted for on an accruals basis.

(j) Foreign currencies and hedging

The financial statements are presented in British Pound Sterling and rounded to thousands.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences arising on translation are taken directly to the profit and loss account.

Exchange differences arising from trading activities are calculated at the prevailing rate and dealt with in the profit and loss account. Profits or losses arising from forward foreign exchange contracts taken out to hedge the currency exposure arising from future income are recognised in the profit and loss account as they are realised.

2. Administrative Expenses

The company has no employees. Auditors remuneration is borne by a fellow group undertaking.

3. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018 £'000	2017 £'000
Loan interest	<u>-</u>	<u>79</u>

4. INTANGIBLE ASSETS - GOODWILL

GROUP & COMPANY	2018 £'000	2017 £'000
Cost		
Brought Forward	<u>14,766</u>	<u>14,766</u>
Accumulated Amortisation		
Brought Forward	14,717	14,690
Charge for the year	<u>27</u>	<u>27</u>
	<u>14,744</u>	<u>14,717</u>
Net Book Value	<u>22</u>	<u>49</u>

Goodwill was originally acquired by Price Forbes and Partners Limited when the assets and liabilities of Price Forbes Limited were acquired on 21st September 2006. As at 31 December 2006, the goodwill and accumulated amortisation was acquired by PFIH Limited.

Additions include acquisition costs for books of business and the purchase of the Price Forbes name in South Africa.

The amortisation basis on the remaining goodwill is straight line and reflects the expected useful economic life of the asset.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings	
	2018	2017
COST	£'000	£'000
Brought forward	7,000	6,888
Additions during year	55	112
Disposals during year	(6,460)	-
Net book value	<u>595</u>	<u>7,000</u>

During the year Price Forbes & Partners was transferred out of PFIH to another subsidiary of The Ardonagh Group Limited being Ardonagh Specialty Holdings Limited for a fair value of £100.6m leading to a profit on disposal of £94.1m.

	Principal activity	Registered address	% ordinary shares held
			Company
Price Forbes Group Limited	Intermediary Holding	6th Floor, 2 Minster Court, London, UK. EC3R7PD.	100%
Purely Motor Insurance Limited	Non Trading	6th Floor, 2 Minster Court, London, UK. EC3R7PD.	100%
Price Forbes Labuan Limited	Insurance Broking	Unit Level 13A, Financial Park Labuan, Jalan Merdeka, 87000 FT, Labuan, Malaysia.	100%
Price Forbes Chile SA	Insurance Broking	Oficina 2702, Las Condes, Santiago, Chile.	10%
Price Forbes Europe NV	Insurance Broking	Marsveldplein, 5 Bastion T1050, Elsene, Belgium.	100%

6. DEBTORS

	2018	2017
	£	£
Intercompany (unsecured, interest free)	118,427	12,953
Amount due after one year		
Hedging Derivatives	-	1,269
	<u>118,427</u>	<u>14,222</u>

7. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Taxation	406	906
Hedging Derivatives	3,081	3743
	<u>3,487</u>	<u>4,649</u>

8. CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018	2017
	£	£
Hedging derivatives	<u>1,249</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

9. PROVISIONS FOR LIABILITIES

	2018	2017
	£'000	£'000
At 1 January	3,666	-
Increase for the year	732	3,666
At 31 December	<u>4,398</u>	<u>3,666</u>

After a review of the South Africa and Equinox operations it was deemed appropriate to create a provision in the Company balance sheet for the year end intercompany balances due.

10. TAX ON PROFIT

	2018	2017 (restated)
	£'000	£'000
(a) Analysis of charge for the year		
UK corporation tax on profits of the year	406	643
Deferred Tax	-	3,870
Tax charge for the year	<u>406</u>	<u>4,513</u>

The tax assessed for the year is higher (2017: higher) than the standard rate of corporation tax in the UK 19.00% (2017 19.25%)

(b) Factors affecting tax charge for year		
Loss before tax	<u>97,359</u>	<u>17,118</u>
Profit multiplied by standard rates of corporation tax in the UK 19.00% (2017 19.25%)	18,498	3,295
Effect of:		
Expenses not deductible for tax purposes	137	706
Gains on Derivative Instruments	(345)	(3,419)
Profit on Sale of Investment	(17,887)	-
Transfer Pricing Adjustments	18	32
Deferred Tax	-	3,870
Adjustments in respect of prior years	<u>(16)</u>	<u>29</u>
Tax charge for the year	<u>406</u>	<u>4,513</u>

A reduction in the UK corporation tax rate to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This reduction, from the existing rate of 19%, will reduce the Company's future current tax charge/credit.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Called up Share capital £'000	Share Premium £'000	Profit and loss account £'000	Profit and loss account £'000	Other Reserves £'000	Total share- holders' funds £'000
Balance Brought Forward	881	642	10,924	50	460	12,957
Loss for the financial year	-	-	96,953	-	-	96,953
At 31 December 2018	881	641	107,877	50	460	109,910
At 31 December 2017	881	642	10,924	50	460	12,907

Other reserves are in respect of a capital contribution provision required due to previous years share based payments as per note 12.

12. CALLED UP SHARE CAPITAL

	2018 £'000	2017 £'000
Allotted, called up and fully paid		
8,814,899 (2017: 8,814,899) ordinary shares of 10p each	881	881

At 31 December 2018 the company has 5,795,483 A shares and 3,019,416 B shares (2017 - 5,795,483 A shares and 3,019,416 B shares) in issue. A & B shares rank pari passu except that B shares carry restricted voting rights.

13. FINANCIAL COMMITMENTS

At the year end the Company has entered into foreign exchange contracts to sell forward future USD denominated brokerage for 2019 to 2020 inclusive as set out below.

The gain or loss arising will depend on the spot rates prevailing at the time the forward contracts mature.

The table below shows the breakdown of the contracts

Year	Contract Rate	Contract Amount
2019	1.2780 to 1.4720	\$77.7 million
2020	1.3039 to 1.3302	\$71.0 million
2021	1.3329 to 1.3611	\$59.8 million

The fair value of these contracts is required to be recognised in these financial statements.

As at 31 December 2018 the unrealised loss/liability was £4.3m (2017 - loss/liability of £2.5m).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

14. RECONCILIATION OF LOSS ON DERIVATIVE INSTRUMENTS

	2018	2017
	£'000	£'000
Fair Value 1st January	(2,515)	(20,276)
Fair value movement during year	(1,815)	17,761
Fair Value 31st December	<u>(4,329)</u>	<u>(2,515)</u>

The gains on derivative instruments movement in the Statement of Comprehensive income includes the above and in addition a £3.6m receipt in 2018 for closed derivatives, leading to the positive movement.

15. FINANCIAL COMMITMENTS**Off-balance sheet arrangements**

On 18 June 2018, Ardonagh Midco 3 plc, a fellow subsidiary of The Ardonagh Group Limited, 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). While the Letter of Credit ancillary facility remains in place the commitments under the RCF that may actually be utilized are contractually limited to £90.0m excluding the Letter of Credit ancillary facility. Permissible RCF drawings are further limited by the Group's credit facility basket. None of this facility was utilised at 31 December 2018.

The obligations of Ardonagh Midco 3 plc under the Notes, RCF, and the subsequently issued additional 8.375% 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, which includes Price Forbes & Partners Limited, PFIH Limited and Price Forbes Holdings Limited.

16. RESTATEMENT OF PRIOR YEAR

During the year it was decided to present entity level financial statements rather than consolidated financial statements. The previous year comparatives have been amended accordingly. These changes have no impact on the loss for the financial year or net assets.

17. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's controlling party is HPS Investment Partners LLC. At 31 December 2018, The Ardonagh Group Limited (incorporated in Jersey, registered office address, 44 Esplanade, St Helier, Jersey, JE1 0BD) is the largest group in which the results are consolidated. Ardonagh Midco 3 Limited (incorporated in United Kingdom, registered office address, 1 Minster Court, London, England. EC3R 7AA) is the smallest group in which the results are consolidated. The financial statements for the companies noted above are available upon request from:

1 Minster Court
London
United Kingdom
EC3R 7AA