Price Forbes & Partners Limited

Annual report and

financial statements

For the year ended 31 December 2019

Registered Number 05734247

PRICE FORBES & PARTNERS LIMITED

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COMPANY INFORMATION AND PROFESSIONAL ADVISORS

DIRECTORS:	J A Masterton 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 1 New Street Square London EC4A 3HQ United Kingdom

STRATEGIC REPORT

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

Review of the Business

The Company's turnover grew by 6.7m, an increase of 8% over prior year. The year saw good growth and recovery from the core lines as well as growth from our Regional Strategy with the broader product and territorial team investments made in the prior 18 months beginning to come on stream. This was achieved against a back drop of significant market rate fluctuations as various markets seek to right size their portfolios.

The Company's investments maintain strong bench strength in the classes in which we chose to operate continues to ensure we are a preferred choice of London based broker and the year closed with successful purchases of portfolios from other brokers providing a good foundation for 2020.

Whilst the long term effect on the Company of Brexit is unclear, the risks the Company faces are diluted as the Company's income is primarily sourced from countries outside the EU. The insurance markets we access on behalf of our clients are predominantly UK based and therefore the board does not envisage a material shift in access to this capacity post Brexit. The Company has developed a post Brexit strategy to ensure its clients have access to the most appropriate markets for their needs.

Investment and Future Developments

As part of the Company's continued investment in the future of its business and people, further new product lines were added to those already offered including Special Risks, Professional Liability and US Healthcare. In addition the Company hired talented individuals and teams into existing departments to complement and enhance these sector leaders. This continued investment in talent will ensure the Company maintains its preeminent position in the London Wholesale Broking market.

Financial Performance and Key Performance Indicators

The investment required to facilitate the Company's turnover growth of £6.7m resulted in an increase in operating profit of £2.5m. The bridge to underlying EBITDA which adjusts out investment in the future growth of the business can be shown as follows:

	2019 Reported £'m	2018 Reported £'m
EBITDA	£15.0	£10.2
Investment in People	£3.1	£5.8
Adjusted underlying EBITDA	£18.1	£16.0

EBITDA excludes the management fee charged by the Company's parent relating to the licence of certain intangible assets held by its parent. It includes other operating income and losses on derivative instruments.

The Company's hedging policy is to sell forward the Company's anticipated US dollar receipts for the following twelve months. The fall in the value of GBP in the year has strengthened the trading outlook of the Company but hedges maturing in the year, at an average rate of 1.3558, generated a charge to the Statement of Comprehensive Income of £3.6m in the year.

STRATEGIC REPORT (continued)

The key financial performance indicators for the Company are set out below:

	2019 Reported £'m	2018 Reported £'m
Turnover	88.4	81.8
EBITDA	15.0	10.2
Profit Before Tax	9.8	6.7
Net Assets	30.5	22.9

Financial Position at the Reporting Date

Net assets stood at £30.5m as at 31 December 2019 up £7.6m on last year end. No dividend was declared.

Companies Act s172 duty

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 Price Forbes business is undertaken by the Board Ardonagh Specialty Holdings Limited ("Segment Board"). Both directors of the Company are members of the Segment Board.

The 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 Group Annual Report. The Board have identified the following as our key stakeholders and how the Board engages with each stakeholder is set out below; employees, the Financial Conduct Authority ("FCA"), insurers and suppliers.

Employees

The Board recognises that our talented employees are our biggest asset and our remuneration structures are designed to reward good performance at the individual and business level and support our culture. In addition, our businesses focus on providing excellent working conditions and providing a long-term career for staff with opportunities to up-skill through training and study support. Our culture is further supported by our Ardonagh values that are set out in our code of conduct that is also subject to all-staff mandatory training.

As a Board we believe in the importance of communication and engagement with our employees. The Business undertakes regular communication and other engagement activities. The first Group-wide employee pulse survey was undertaken in Q4 2019 which achieved an excellent 73% response rate from over 6,000 employees across the Group. 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.

STRATEGIC REPORT (continued)

Companies Act s172 duty (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, which is increasingly becoming recognised by the industry, with Ardonagh being voted "Best of the Best Broker" by 3,000 leading insurance professionals at the British Insurance Awards in July 2019.

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 2020 the Business will be implementing and embedding 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 ensure we the customer remains at the heart of our decision making.

Insurers
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. The Ardonagh Portfolio Solutions business established by the Group in 2019 will support the business to foster deeper and more long-term relationships across a more focussed number of insurers that will enable us to offer enhanced products and services to our customers.

We have robust controls in place to mitigate any actual or potential conflicts of interest that could potentially lead to the business putting its interest before those of its customers. We ensure conflicts of interests are recorded and updated, including mitigating controls in a Conflicts of Interest log. Mitigating controls can include a review before business is placed with a Group MGA rather than the market, segregation of duties, additional disclosure requirements, bi-annual employee attestation and, in some instances, require Board approval.

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.

Our Suppliers
Our key suppliers are defined by the Group Outsourcing and Procurement Policy which ensures that all key suppliers are identified and are subject to appropriate monitoring and engagement – the level of which is dependent on the size and critical nature of the services supplied to the Group. We also have minimum due

STRATEGIC REPORT (continued)

Companies Act s172 duty (continued)

Community
The 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 employed within the TUGL business, 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, the Group announced the introduction of one paid day per year from 2020 for all employees to encourage our people to give back through skilled or un-skilled volunteering to causes they care about.

Principal Risks & Uncertainties

The principal risks and uncertainties are detailed in the directors' report.

The directors do not anticipate any significant change in the Company's activities in the foreseeable future as it will continue to be a broker in insurance and reinsurance markets.

Approved by the Board of Directors on 11th May 2020

and signed on behalf of the Board by

A Erotocritou
Director

DIRECTORS' REPORT

Principal activities

The Company's principal activity during the year continued to be that of acting as a broker in insurance and reinsurance markets. The Company is authorised and regulated by the Financial Conduct Authority.
The information that fulfils the Companies Act requirements of the business review is included in the Strategic Report on pages 2 -5. This includes details of the Company's investments and future developments.

Financial Risk Management

A review of the Company's principal risks and uncertainties is included below.

Legal and Regulatory Risk

The Company is exposed to potential claims, litigation and regulatory sanctions arising out of the ordinary course of business relating to alleged errors and omissions, or non-compliance with laws and regulations.
These risks are managed through a form of control framework, training, professional indemnity insurance and governance oversight. Management closely monitors changes to other regulatory requirements.

Financial Risk

The Company is exposed to financial risk through its financial assets and liabilities. The components of financial risk are foreign currency, liquidity, interest rate and counter party credit risk. The extent of the exposure to each of these components varies.

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

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

Foreign Currency Risk

The Company's main exposure to foreign currency risk arises from the settlement in foreign currency, principally US Dollars, of brokerage and fees relating to insurance business originating overseas. Transactions denominated in US Dollars form approximately 75% of the Company's revenues. The Company manages this exposure through active treasury management processes, including hedging operations in conjunction with other companies within the group where appropriate.

Liquidity Risk

Fees and commissions are received and withdrawn from insurance trust accounts based on a client money calculation performed in accordance with the Financial Conduct Authority's client money rules (CASS 5). Insurance and Corporate funds are monitored and maintained so as to enable the Company to meet cash settlement requirements as they fall due. The Company holds earmarked funds as part of the wider Ardonagh Group ("the Group") treasury facility through which funding is also provided to the Company.

Interest Rate Risk

The prevailing low interest rates means that the extent of any adverse variance on the Company's results is immaterial.

Counter Party Credit Risk

To minimise this risk the Company has a general policy of not funding payment of claims on behalf of insurers or premiums on behalf of its clients. The Company has established a strict authorisation policy whereby management may in certain circumstances authorise funding with careful monitoring of the resulting exposure to credit risk deriving from insurers and clients in this respect. The Company has appointed a Security Committee which monitors the financial condition of insurers and reinsurers through the use of professional rating agency reports on an ongoing basis.

Client money is spread over a number of approved banks with a minimum required credit rating to mitigate the bank counter party exposure.

Operational Risk

Operational risk is the risk of loss due to factors such as inadequate systems, management failure, inadequate internal controls, fraud and human error. The Company mitigates these risks through systems of internal controls and risk management, internal audit and compliance functions and other measures such as back-up procedures, contingency planning and insurance.

The Company is committed to undertaking a series of activities that are linked to the Transformation strategy These activities are targeted at driving operational effectiveness, cost synergies, and better management of operational risks and have involved substantial investment in systems and technology

Results and Dividends

The Company's profit for the financial year is £7.5m (2018: profit of £5.1m) and an equivalent amount has been transferred to reserves. During the year no dividend (2018: nil) was paid or proposed 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:

J A Masterton
B J Hurst-Bannister (Non Executive Director) (resigned 31st March 2019)
S D Reid (resigned 22nd July 2019)
C L Keey (resigned 10th December 2019)
J J Turnbull (resigned 10th December 2019)
A Erotocritou

Directors' Indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Disclosure of Information to Auditor

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.

DIRECTORS' REPORT (continued)

Independent Auditor

Deloitte LLP, the Company's independent auditor, has expressed its willingness to continue in office.
The articles do not require the Company to hold an AGM and so the Board re-appointed Deloitte as part of the accounts approval resolution.

Disabled Employees

The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The Company gives full and fair consideration to applications for employment for disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled the Company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Employee Involvement

The Company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Company is encouraged. This achieves a common awareness of the financial and economic factors affecting the Company and plays a major role in maintaining its competitive positioning and corporate culture. The Company encourages the involvement of employees by means of regular staff forums with management.

The financial statements on pages 10 to 24 were approved by the Board of Directors on 11th May 2020 and signed on behalf of the Board by

A Erotocritou
Director

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 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 PRICE FORBES & PARTNERS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion
In our opinion the financial statements of Price Forbes & Partners 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 balance sheet;
- the statement of changes in equity;
- the statement of accounting policie; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 & PARTNERS 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, ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP, Statutory Auditor
London
United Kingdom
11th May 2020

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
TURNOVER	2	88,413	81,762
Administrative expenses		(77,415)	(72,548)
Other operating income	3	2,398	1,667
OPERATING PROFIT	4	13,396	10,881
Losses on derivative instruments	9	(3,562)	(4,230)
Interest payable and similar expenses	5	(8)	-
PROFIT BEFORE TAXATION		9,826	6,651
Tax on profit	8	(2,282)	(1,534)
PROFIT FOR THE FINANCIAL YEAR	16	7,544	5,117
Other comprehensive income for the year, net of tax		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		7,544	5,117

All activities derive from continuing operations.

Notes from pages 15-25 forms part of the financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Note		31 December 2019 £'000		31 December 2018 £'000
FIXED ASSETS					
Intangible assets	10		1,085		601
Tangible assets	11		6,778		6,250
CURRENT ASSETS					
Debtors	12	56,209		55,421	
Cash at bank and in hand		140,082		154,009	
		196,291		209,430	
CURRENT LIABILITIES					
Creditors	13	(172,695)		(190,262)	
NET CURRENT ASSETS			23,596		19,168
TOTAL ASSETS LESS CURRENT LIABILITIES			31,459		26,019
PROVISIONS FOR LIABILITIES	14		(1,003)		(3,112)
NET ASSETS			30,456		22,907
CAPITAL AND RESERVES					
Called up share capital	15		6,000		6,000
Profit and loss account	16		23,772		16,228
Other reserves	16		684		679
TOTAL SHAREHOLDERS' FUNDS	16		30,456		22,907

Notes from pages 15-25 forms part of the financial statements.

The financial statements were approved by the board of directors on 11th May 2020 and were signed on its behalf by:

A Erotocritou

Registered Number 05734247

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Called up Share capital £'000	Profit and loss account £'000	Other Reserves £'000	Total share-holders' funds £'000
At 1 January 2019	6,000	16,228	679	22,907
Total comprehensive income for the financial year	-	7,544	5	7,549
At 31 December 2019	6,000	23,772	684	30,456

	Called up Share capital £'000	Profit and loss account £'000	Other Reserves £'000	Total share-holders' funds £'000
At 1 January 2018	6,000	11,111	679	17,790
Total comprehensive income for the financial year	-	5,117	-	5,117
At 31 December 2018	6,000	16,228	679	22,907

Notes from pages 15-25 forms part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

1. ACCOUNTING POLICIES

Price Forbes & Partners Limited ("the Company") acts as a broker 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, United Kingdom, 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 historic cost convention. Derivative instruments (see Note 9) 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.

At 31 December 2019, the Company had net assets of £30.6m (2018: £22.9m) and net current assets of £23.7m (2018: £19.2m). The net current assets include amounts receivable from related parties of £4.4m (2018: £7.0m), and amounts due to related parties of £7.7m (2018: £9.6m).

The Company was one of a number of group companies who at 31 December 2019 guaranteed bank and bond debt owed by Ardonagh Midco 3 Plc, an immediate holding company in the group.

The Directors consider the going concern basis to be appropriate following their assessment of the Company's financial position and its ability to meet its obligations as and when they fall due. In making the going concern assessment the Directors have taken into account the following:

- The current capital structure and liquidity of the Company and the Group, as well as the assessment that the Group continues to be a going concern.
- The Group manages its cash and funding requirements on a Group-wide basis.
- 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 £170m, of which £70m was drawn at 22 April 2020 (the date of the Group's financial statements for the year ended 31 December 2019). Permissible RCF drawings are limited by the Group's credit facility basket.

Key stress scenarios that the Group 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. The Group's stress testing further 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 the Group considered these stress conditions to be a remote scenario.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

1. ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

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.

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 a cash flow statement or disclose related party transactions (see notes 1h and 1m).

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 event in these financial statements, see note 21.

(b) Turnover

Revenue from brokerage and fees derived from insurance and reinsurance contracts and programmes is recognised at the later of the policy inception date or when the policy placement has been completed. Revenues from binding authorities and treaties are recognised on a periodic basis when the consideration due is confirmed by third parties.

Profit commission, which the Company earns on facilities it operates on behalf of insurers, is recognised on either a cash settlement basis or when the amount can be determined and insurers make an irrevocable commitment to pay that amount.

Due to the long term nature of some of the services provided by the Company to its clients, obligations can arise the performance of post-placement activities. Where these are not covered by additional income, a relevant portion of brokerage is deferred and recognised in the periods in which these activities take place.

Alterations to brokerage income arising from premium adjustments are taken into account as and when such adjustments are made. Adjustment to brokerage has been made where a return of premium and brokerage is made, or may be made, subsequent to the end of the financial year.

(c) 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. These items were previously offset against turnover but are now disclosed separately in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

1. ACCOUNTING POLICIES (continued)

(d) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. The Company invested in new Portal and Broking system software which will be depreciated over the expected period of usage.
Tangible assets are depreciated on the following basis:

- Office fixtures	10.0% per annum straight line basis
- Leasehold improvements	10.0% per annum straight line basis
- Computer hardware	20.0% per annum straight line basis
- Computer software	33.3% per annum straight line basis
- Computer software - Portals	20.0% per annum straight line basis
- Computer software - Broking system	10.0% per annum straight line basis

(e) Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations shown in creditors.
Rental costs under operating leases are charged to the statement of comprehensive income in equal annual amounts over the period of the lease after adjusting for any rent free period which is apportioned over the period of the lease.
In the case of the premises leases the directors do not expect to invoke the break clause cotained therein except in exceptional circumstances and so the costs associated with the premiums have been allocated over the full life of the lease.

(f) Insurance debtors and creditors

The Company acts as an agent in broking the insurable risks of clients and normally is not liable as a principal premiums due to underwriters, or for claims payable to clients. The Company is entitled to retain the investment income on any cash flows arising from these transactions.
In recognition of the economic benefit derived from this relationship, the insurance bank balances are included in cash at bank and in hand. Uncollected brokerage/funding and the related insurance creditors are included in the assets and liabilities of the Company.

In the ordinary course of insurance broking business, settlement is required to be made with certain market settlement bureaux, insurance intermediaries or insurance companies on the basis of the net balance due to or from them rather than the amount due to or from the individual third parties which it represents.

(g) Pensions

The Company participates in a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company, in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund during the year.

(h) 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.

(i) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

1. ACCOUNTING POLICIES (continued)

(j) Other operating income

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

(k) 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.

(l) Share-based payments

The share option and restrictive stock programme allows employees to acquire shares of the parent company. The fair value of options and restricted stock granted is recognised as an employee expenses with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value is measured using an option pricing model, taking into account the terms and conditions upon which the options and restricted stock were granted. The amount recognised as an expense is adjusted to reflect the actual number that vest except where variations are due only to share prices not achieving the threshold for vesting.

(m) 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 21.

(n) Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company.
Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

(o) Intangible assets

The intangible asset represents acquisition costs for books of business.
The amortisation basis on the intangible is straight line over five years and reflects the expected useful economic life of the asset.

(p) Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

2. TURNOVER

All turnover and profit before tax arises from insurance broking activities:

	2019 £'000	2018 £'000
Turnover by location of client is split as follows:		
United Kingdom	8,230	7,490
Continental Europe	2,203	3,131
North America	48,927	42,466
Other	29,053	28,675
	88,413	81,762

3. OTHER OPERATING INCOME

	2019 £'000	2018 £'000
Bank interest receivable	2,398	1,667
	2,398	1,667

Income earned on monies held as an integral part of the operations of the Company is disclosed within operating income.

4. OPERATING PROFIT

	2019 £'000	2018 £'000
Operating profit is stated after charging:		
Depreciation of tangible assets (note 11)	1,280	735
Amortisation of intangible assets (note 10)	1,416	284
Amounts receivable by the auditors and their associates in respect of:		
Fees payable to the Company's auditors for the audit of the Company	96	105
Fees payable to the Company's auditors and their associates for other services including:		
Audit-related assurance services	33	25
Tax compliance services	-	-
Tax advisory services	-	-
Total fees payable to the Company's auditors	**129**	**130**
Rentals under operating lease - land and buildings	1,955	1,955

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019 £'000	2018 £'000
On leases	8	-
	8	-

6. EMPLOYEES AND STAFF COSTS

	2019 Number	2018 Number
The monthly average number of persons employed by the Company, which includes directors, was:		
Broking and underwriting services	287	283
Claims	29	26
Finance and operations	47	37
Management	8	11
	371	357

The costs incurred in respect of employees were:

	2019 £'000	2018 £'000
Wages and salaries	41,845	38,196
Social security costs	4,313	4,096
Other pension costs	4,634	4,370
	50,792	46,662

7. DIRECTORS

	2019 £'000	2018 £'000
Remuneration of directors of the Company included in staff cost was as follows:		
Emoluments payable	1,009	1,366
Company contributions payable to defined contribution pension scheme	-	-
Compensation for loss of office	30	-

	2019 Number	2018 Number
Number of directors who are members of defined contribution scheme	-	-
Number of directors who exercised options/restricted stock	-	-

	2019 £'000	2018 £'000
In respect of highest paid director:		
Emoluments	637	823
Company contributions payable to defined contribution pension scheme	-	-

Directors emoluments of £187,043 for services provided to this Company have been paid by other Group entities which make no recharge to the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

8. TAX ON PROFIT

	2019 £'000	2018 £'000
(a) Analysis of charge for the year		
UK corporation tax on profits of the year	2,473	1,613
Adjustments in respect of prior years	7	11
Deferred taxation	(198)	(62)
Adjustment to prior year's deferred tax	-	(28)
Tax charge for the year	2,282	1,534

The tax assessed for the year is higher (2018: higher) than the standard rate of corporation tax in the UK 19.00% (2018: 19%).

	2019 £'000	2018 £'000
(b) Factors affecting tax charge for year		
Profit before tax	9,826	6,651
Profit multiplied by standard rates of corporation tax in the UK 19.00% (2018: 19%)	1,867	1,264
Effect of:		
Expenses not deductible for tax purposes	408	280
Share-based remuneration	-	-
Deferred Tax rate changes	-	7
Adjustments in respect of prior years	7	(17)
Tax charge for the year	2,282	1,534

Finance Act (No 2) 2015 established the main rate of corporation tax at 19% for the years starting the 1 April 2017, 2018 and 2019 and at 17% for the year starting 1 April 2020. These proposed changes have been enacted at the balance sheet date and in accordance with accounting standards, these changes have been reflected in the measure of the Company's deferred tax asset as at 31 December 2019.

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 £14,000 higher.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

9. RECONCILIATION OF LOSS ON DERIVATIVE INSTRUMENTS

	2019 £'000	2018 £'000
Fair value transferred 1st January	(3,081)	(3,753)
Fair value movement during year	(481)	(477)
Crystallised loss	(3,562)	(4,230)

10. INTANGIBLE ASSETS

	2019 £'000	2018 £'000
Cost		
Brought Forward	1,424	1,424
Additions	1,900	-
	3,324	1,424
Accumulated Amortisation		
Brought Forward	823	539
Charge for the year	1,416	284
	2,239	823
Net Book Value	1,085	601

11. TANGIBLE ASSETS

	Leasehold Improvements £'000	Office Fixtures £'000	Computer Hardware £'000	Computer Software £'000	Computer Software Portals £'000	Computer Software Broking System £'000	Total £'000
Cost							
Brought Forward	2,886	962	374	923	338	3,254	8,737
Additions	418	-	501	751	-	138	1,808
At 31 December 2019	3,304	962	875	1,674	338	3,392	10,545
Accumulated depreciation							
Brought Forward	852	325	253	711	145	201	2,487
Charge for the year	487	97	152	147	68	329	1,280
At 31 December 2019	1,339	422	405	858	213	530	3,767
Net book value							
At 31 December 2019	1,965	540	470	816	125	2,862	6,778
At 31 December 2018	2,034	637	121	212	193	3,053	6,250
Leased assets included above:							
Net book value							
At 31 December 2019	-	-	418	-	-	-	418

The Company has leased laptops on a lease which is considered to meet the definition of a finance lease and is accounted for accordingly.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

12. DEBTORS

	2019 £'000	2018 £'000
Due within one year:		
Insurance debtors	41,314	41,324
Other debtors	6,898	4,192
Deferred tax asset	119	-
Amounts due from group undertaking (unsecured, interest-free)	4,458	7,012
Prepayments and accrued income	1,940	1,458
	54,729	53,986
Due after one year:		
Other debtors	1,255	1,255
Insurance debtors	225	180
	56,209	55,421

13. CREDITORS

	2019 £'000	2018 £'000
Due within one year:		
Insurance Creditors	153,308	170,039
Taxation and social security	1,897	3,726
Amounts owed to group undertaking (unsecured, interest-free)	7,885	9,630
Accruals and deferred income	9,187	6,867
Finance lease	122	-
	172,399	190,262
Payable after one year:		
Finance lease	296	-
	172,695	190,262

14. PROVISIONS FOR LIABILITIES

	Dilapidations £'000	Errors & Omissions £'000	Holiday Provision £'000	Total £'000
Balance Brought Forward	-	2,778	334	3,112
Charge/Utilised for the year	418	(2,545)	18	(2,109)
At 31 December 2019	418	233	352	1,003

Provisions are made up of three components;

- The Company is subject to claims and litigation in the ordinary course of business resulting principally from alleged errors and omissions. Although all claims are defended vigorously, a charge is made within the accounts, net of any anticipated insurance recoveries, in respect of provisions made for potential liabilities including expenses that are deemed more likely than not to arise in respect of potential claims and litigation notified to the Company at the date of these financial statements. Claims may arise several years after the original events which could be the subject of dispute. Most of the previous years' provision regarding litigation was released in 2019 as it was no longer required.
- The Company recognises a provision for the estimated cost for dilapidations that may become payable under the terms of current leasehold property contracts at the end of the lease. The costs are accrued over the life of the lease being reassessed each year.
- The Company recognises a provision for the estimated cost of holiday entitlement carried forward into the next financial year.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

15. CALLED UP SHARE CAPITAL

	2019 £'000	2018 £'000
Authorised share capital:		
100,000,000 ordinary shares of 10p each	10,000	10,000
Allotted, called up and fully paid		
60,000,000 (2018: 60,000,000) ordinary shares of 10p each 10,000 G1 shares of 1p each were issued in 2019 10,000 G3 shares of 1p each were issued in 2019	6,000	6,000

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Called up Share capital £'000	Profit and loss account £'000	Other Reserves £'000	Total share-holders' funds £'000
Balance Brought Forward	6,000	16,228	679	22,907
Profit for the financial year	-	7,544	5	7,549
At 31 December 2019	6,000	23,772	684	30,456
At 31 December 2018	6,000	16,228	679	22,907

Other reserves are in respect of a capital contribution provision required due to share based payment schemes (see note 20).

17. (a) Lease commitments

The Company is committed to making the future minimum following payments during in respect of finance and operating leases:

	Operating Land and buildings 2019 £'000	Finance Laptops 2019 £'000	Operating Land and buildings 2018 £'000	Finance Laptops 2018 £'000
Within one year	683	122	2,221	-
Two to five years	8,884	367	7,218	-
Over five years	-	-	2,221	-

The Company makes rental payments on behalf of another group company which are reimbursed in full.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

17. **(b) Off-balance sheet arrangements**

On 25 May 2017, Ardonagh Midco 3 plc, a newly incorporated intermediate holding company, entered into a £90.0m super senior revolving credit facility (RCF).
On 20 June 2017, Ardonagh Midco 3 plc issued £400.0m of 8.375% Senior Secured Notes and USD520.0m of 8.625% Senior Secured Notes. On 22 June 2017, the £425.0m Senior Secured Notes and £75.0m floating rate super Senior Secured Notes issued by Ardonagh Finco plc in April 2015 were redeemed.

On 20 December 2017, Ardonagh Midco 3 plc issued an additional £55.0m of 8.375% Senior Secured Notes which are fungible with the existing GBP Senior Secured Notes issued on 20 June 2017. On the same date the commitments under the RCF were increased to £105.0m.
On 18 June 2018, Ardonagh Midco 3 plc issued an additional £98.3m of 8.375% Senior Secured Notes which are fungible with the existing GBP Senior Secured Notes issued on 20 June 2017 and 20 December 2017.
On 26 September 2018, the Group's RCF was amended and restated to include an additional £50.0m facility made available solely to provide a Letter of Credit ancillary facility for the same amount. On 5 October 2018, a letter of credit of £50.0m was issued for the benefit of specified entities within the Group solely to provide credit support in respect of potential redress liabilities relating to the sale of certain enhanced transfer value products (ETV). With effect from 1 December 2019, the contractual limitation on the amount that may be utilised of the Group's RCF was removed. As as 31 December 2019, the RCF facility capacity was £120m and undrawn. At the date of this report, the Group's RCF committed facility had been extended to £170m, of which £70m was drawn. Permissible RCF drawings are limited by the Group's credit facility basket. On 19 November 2018, $235m additional 8.625% Senior Secured Notes were issued.

The obligations of Ardonagh Midco 3 plc under the Notes, RCF, and the subsequently issued 8.375% and 8.625% notes, are guaranteed and secured by Ardonagh Midco 2 plc, the immediate parent company of Ardonagh Midco 3 plc, and all its material and certain other subsidiaries, which includes Price Forbes & Partners Limited, PFIH Limited and Price Forbes Holdings Limited.

18. **CONTINGENT LIABILITIES**

The Company is subject to potential claims and litigation arising out of the ordinary course of business. Any such claims are vigorously defended. On the facts known to the directors, the directors do not believe that any material losses will be incurred.

19. **PENSION COMMITMENT**

The Company operates a defined contribution pension scheme on a money purchase basis for all the employees. The scheme funds are administered independently of the Company's finances. The Company's contributions are charged to the profit and loss account in the year in which they are made and are set out in Note 6 above. At 31 December 2019 nil (2018 - nil) was owed to the scheme.

20. **SHARE INCENTIVE PLANS**

During 2019 there was an immaterial charge regarding The Ardonagh Group Limited share based payments scheme for individuals employeed by the Company.

21. **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).

22. **ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The Company's controlling party is HPS Investment Partners LLC. At 31 December 2019, the ultimate parent company was The Ardonagh Group Limited (incorporated in Jersey, registered office address, 3rd Floor, 47 Esplanade, St Helier, Jersey, JE4 9WG) and 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. EC2R 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, Mincing Lane, London. EC3R 7AA.