Registration number: 05879041

CCV Risk Solutions Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019

CCV Risk Solutions Limited

Contents

CCV Risk Solutions Limited

Company Information

Directors	R L Worrell
	H S Williams
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

CCV Risk Solutions Limited

Strategic Report for the Year Ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019 for CCV Risk Solutions 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 intermediary services.

The results for the Company show turnover of £2.2m (2018: £4.4m) and profit before tax of £1.4m (2018: loss before tax £20.9m) for the year. At 31 December 2019 the Company had net assets of £85.3m (2018: £83.8m). The going concern note (part of accounting policies) on page 16 sets out the reasons why the directors continue to believe that the preparation of the financial statements on a going concern basis is appropriate.

Business strategy and objectives

The business strategy of the company will focus on providing insurance intermediary across niche and specialist lines of business.

The Company continues to emphasise the fundamental importance of putting customers first. The Company has developed policies and processes with the aim of treating every customer fairly and consistently. This includes endeavouring to provide them with the best products, advice and service, which can build loyalty and advocacy, which in turn will strengthen reputation and support profits. Serving customers well involves dealing with complaints promptly and effectively, having high standards around underwriting and pricing, and taking a customer-focused approach to sales and marketing.

Outlook

The directors do not expect there to be any changes in the nature of the business in 2020.

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 CCV Risk Solutions Limited. Consideration of the financial risk and future impact can be found in the 'Going concern' disclosure in note 2.

Key performance indicators

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

	Unit	2019	2018
Gross written premium (GWP) brokered	£m	7.7	15.0
Total income (commission and fees, and other income)	£m	2.2	4.4
Administrative expenses (salaries and associated costs, and other operating costs)	£m	.8	2.7
Total income/GWP ratio	%	28.6	29.3
Administrative expenses/total income ratio	%	36.4	61.4

The Turnover/GWP ratio has decreased from 29.3% in 2018 to 28.6% in 2019, attributed to the change in trade following the transfer of businesses to Towergate Underwriting Group Limited in the current and prior year. Administrative expenses have decreased from in £2.7m in 2018 to £0.8m in 2019. The decrease is again attributed to the transfer of trade, the most significant reduction being to staff costs where the average employee number has reduced by 61% in 2019.

Principal risks and uncertainties

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 Group 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 Group 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.

The principal risks and their mitigation are as follows:

Strategic and commercial risk

There are risks of changes to the competitive and economic environment. This is mitigated by a robust strategy and planning process, regular monitoring of the economic and competitive environment and by diversification of product lines and channels.

Financial risk

There is the risk of an adverse impact on business value or earnings capacity as well as the risk of inadequate cash flows to meet financial obligations. These risks are mitigated by proactive management of the business plan, by regular monitoring of cash flows against risk appetite and by 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 segment, 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.

Operational risk

There is the risk of losses arising from inadequate or failed internal processes or systems, from personnel and/or from external events. These risks are mitigated by having an Enterprise Risk Management Framework in place, which is owned by the Group Risk Officer. The framework requires all risks to have owners, and these owners have appropriate controls in place which are regularly monitored, and significant changes to a risk are escalated as required.

The Company's business depends on the ability of employees to process transactions using secure information systems. The capacity to service customers depends on storing, retrieving, processing and managing information. Interruption or loss of information processing capabilities through loss of stored data, the failure of computer equipment or software systems, a telecommunications failure or other disruption, could have a material adverse effect on business, results of operations and financial condition. To mitigate these risks the Company has certain disaster recovery procedures in place and has insurance to protect against such contingencies.

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 throughout the Group and embedded within its culture to reduce the risk of errors and non-compliance.

Underwriting capacity risk

The Company is an insurance intermediary and depends on insurance companies providing it with insurance underwriting capacity and products. The underwriting capacity of insurance companies depends on, among other things, their ability to procure reinsurance, over which the Company has no control. To retain underwriting capacity, the Company also needs to maintain satisfactory loss ratios for its insurance company partners.

General Data Protection Regulation

The Company's computer systems store information about our 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 the Company maintain in its databases and protect it from theft or inadvertent loss.

Volatility in premiums and insurance market cycle

The Company derives most of its revenue from commissions and fees for underwriting services. Its commissions are generally based on insurance premiums, which are cyclical in nature and may vary widely based on market conditions. A significant reduction in commissions, along with general volatility or declines in premiums, could have a material adverse effect on the results of operations and the Company's financial condition. This risk is mitigated by ensuring that the Company has a range of products and by diversifying its portfolio. This should reduce the effect of a cycle on one specific class of business.

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 12/11/2020 and signed on its behalf by:

R L Worrell

Director

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:

D C Ross (resigned 17 December 2019)

A Erotocritou (resigned 1 August 2019)

R L Worrell

H S Williams (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 'Principal risks and uncertainties' section on page 3.

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).

Subsequent events

Details of subsequent events can be found in the Notes to the financial statements within the 'Subsequent events' section on page 47.

Employment of disabled persons

The Company's policy is to recruit disabled workers for those vacancies that they have the appropriate skills and technical ability to perform. Once employed, a career plan is developed to ensure that suitable opportunities exist for each disabled person. Employees who become disabled during their working life will be retrained if necessary and wherever possible will be given help with any necessary rehabilitation and training. The Company is prepared to modify procedures or equipment, wherever practicable, so that full use can be made of an individual's abilities.

Employee involvement

Employees are key to the Company's success, so an appropriate remuneration package is offered which rewards an individual's performance and contribution to the organisation. The Company is also keen to encourage individual's personal development to ensure that they have the skills required to undertake their role. The Company places considerable value on the involvement of its employees and continues to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company and the Group as a whole. This is achieved by formal and informal meetings, circulation of the Company weekly communications email and Group news posted on the internal website.

Going concern

The Company's business activities, together with the factors likely to affect its future development are described in the strategic report on page 2. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of 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. Further details of this assessment can be found in note 2 to these financial statements.

As further described in the subsequent events note, on 14 July 2020, the Group issued new borrowings, which it used to repay its existing borrowings and to fund acquisitions. The Directors' going concern assessment takes into account these new financing arrangements and latest forecasts for the enlarged group.

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 12/11/2020 and signed on its behalf by:

R L Worrell
Director

CCV Risk Solutions Limited

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 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 year. In preparing these financial statements, the directors are required to:

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

The directors are 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 CCV Risk Solutions Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of CCV Risk Solutions 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 24.

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.

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 the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

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

Independent Auditor's Report to the Members of CCV Risk Solutions Limited (continued)

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 this regard.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 7], 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

Opinion on other matter 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 our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you 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 CCV Risk Solutions 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.

....

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

Date: 12 November 2020

CCV Risk Solutions Limited

Statement of Comprehensive Income for the Year Ended 31 December 2019

	Note	Continuing operations 2019 £ 000	Discontinued operations 2019 £ 000	Total 2019 £ 000	2018 £ 000
Commission and fees	5	1,605	612	2,217	4,444
Salaries and associated costs	7	(684)	-	(684)	(1,539)
Administrative expenses		(169)	4	(165)	(1,178)
Impairment of financial assets		72	(1)	71	8
Depreciation and amortisation		(72)	-	(72)	(29)
Operating profit	6	752	615	1,367	1,706
Loss on disposals of goodwill		-	-	-	(22,557)
Finance costs		(15)	-	(15)	(1)
Profit/(loss) before tax		737	615	1,352	(20,852)
Tax expense	10	(180)	(151)	(331)	(470)
Profit/(loss) for the year		557	464	1,021	(21,322)

The above results arise from continuing and discontinued operations.

CCV Risk Solutions Limited

(Registration number: 05879041)
Statement of Financial Position as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Non-current assets			
Intangible assets	11	1,900	1,929
Property, plant and equipment	12	17	10
Right of use assets	13	96	-
Financial assets at FVTOCI	14	5	5
Deferred tax assets	10	-	44
		2,018	1,988
Current assets			
Cash and cash equivalents	15	3,961	4,207
Trade and other receivables	16	157,513	151,314
Current tax assets		6	-
		161,480	155,521
Current liabilities			
Trade and other payables	17	65,678	61,181
Lease liabilities	13	49	-
Tax liabilities		-	171
Provisions	18	12	17
		65,739	61,369
Net current assets		95,741	94,152
Non-current liabilities			
Borrowings	20	12,330	12,330
Lease liabilities	13	44	-
Provisions	18	6	8
Deferred tax liabilities	10	34	-
		12,414	12,338
Net assets		85,345	83,802
Capital and reserves			
Called up share capital	19	100,569	100,569
Merger reserves		18,199	17,675
Retained losses*		(33,423)	(34,442)
Total equity		85,345	83,802

*The Company subsumed its share-based payment reserve, which was previously presented separately as a capital contribution reserve, within retained losses. The amount subsumed was £1.0k at 31 December 2018.

CCV Risk Solutions Limited

(Registration number: 05879041)
Statement of Financial Position as at 31 December 2019 (continued)

Approved by the board on .... 12/11/2020 ..... and signed on its behalf by:

....

R L Worrell
Director

CCV Risk Solutions Limited

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

	Note	Share capital £ 000	Merger reserves £ 000	Retained losses £ 000	Total £ 000
At 1 January 2019		100,569	17,675	(34,442)	83,802
On discontinued operations	4	-	524	-	524
Share-based payment		-	-	(2)	(2)
Net profit for the year		-	-	1,021	1,021
At 31 December 2019		100,569	18,199	(33,423)	85,345

The Company adopted IFRS 16, applying the cumulative catch-up approach without restatement from 1 January 2019. The adoption of this standard had no impact on opening retained losses.

During the current year, the Company transferred a book of business to Towergate Underwriting Group Limited, a company under common control. As a result, a credit balance of £524k was recognised as a merger reserve in recognition of the future economic rights sold, see note 4.

	Share capital £ 000	Merger reserves £ 000	Retained losses* £ 000	Total £ 000
At 1 January 2018	100,569	1,075	(12,405)	89,239
Adjustment to opening balances	-	-	(716)	(716)
On discontinued operations	-	16,600	-	16,600
Share-based payment	-	-	1	1
Net loss for the year	-	-	(21,322)	(21,322)
At 31 December 2018	100,569	17,675	(34,442)	83,802

*The Company subsumed its share-based payment reserve, which was previously presented separately as a capital contribution reserve, within retained losses.

CCV Risk Solutions Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

1 General information

The company is a private company limited by share capital incorporated, domiciled and registered in England, United Kingdom. The registered office address can be found on page 1.

The principal activity of the Company is disclosed on page 2 within the 'Strategic Report' section.

The financial statements for the year ended 31 December 2019 were authorised for issue by the Board on .... 12/11/2020 .. and the Statement of Financial Position was signed on the Board's behalf by R L Worrell.

2 Accounting policies

Basis of preparation
These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101).

The financial statements are presented in GBP sterling (£), which is also the Company's functional currency. The financial statements have been prepared on a historical cost basis, as modified to use a different measurement basis where necessary to comply with FRS 101.

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 ("EU-adopted IFRS"), 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;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to provide comparative period reconciliations in respect of outstanding shares, property, plant and equipment and intangible assets;
- 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;

2 Accounting policies (continued)

- the requirements of paragraphs 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
- 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 and the requirements in IAS 24 to disclose related party transactions entered into between two or more members of the Group, provided that any subsidiary which is party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 130(f)(ii) -(iii), 134(d) - 134(f) and 135(c) - 135(e) of IAS 36 Impairment of Assets in respect of disclosure of valuation techniques, 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 a 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 disclosure on page 32.

Going concern

As shown in account note 23, the Company is a member of a group ("the Group") of which The Ardonagh Group Limited ("TAGL") is the ultimate parent company and the highest level at which results are consolidated.

The financial statements of the Company have been prepared on a going concern basis. At 31 December 2019 the Company had net assets of £85.3m (2018: £83.8m) and net current assets of £95.7m (2018: £94.2m). The net current assets include amounts receivable from related parties of £157.2m (2018: £150.6m), and amounts due to related parties of £65.6m (2018: £59.5m). The Company reported a profit before tax £1.4m (2018: loss before tax £20.9m). 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 intermediate 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 source of funding of the Group includes £1.975 billion of debt in the form of $500m (£400m) of Senior Unsecured Notes and £1.575 billion of private borrowings with maturity dates of 6 years. The guarantor obligations are joint and several obligations of all of the guarantors and this means that when there is a requirement to repay the borrowed funds, the lender may also call upon the guarantors as a whole, as well as each of them severally, to do so.
- The principal risks facing the Company and the Group, including the potential financial and operational impacts of covid-19, and its systems of risk management and internal control.
- The Group has assessed that it has sufficient liquidity to withstand a period of potential poor trading resulting from a sustained impact of Covid-19. The Group had available liquidity of £181.7m at 31 December 2019 and closely monitors available liquidity on an ongoing basis.

2 Accounting policies (continued)

- The Group is largely insulated from currency FX volatility.
- The Group has access to a Revolving Credit Facility ("the Group's RCF"). The Group's RCF facility capacity is £191.5m that is undrawn.

Key stress scenarios that TAGL considered as part of its 2019 Going Concern assessment include cumulative stresses to the Group's base plan of a net reduction in cashflow of over £100m in 2020 and further reductions in 2021. TAGL's 2019 Going Concern stress testing indicated that revenues would need to decline by up to 30% compared to base case in the 7 quarters from Q2 2020, offset by certain discretionary cost cuts and headcount reductions but assuming that the cost base does not reduce at the same speed as revenue to reach the Group's liquidity limits. The Directors of TAGL considered these stress conditions to be a remote scenario.

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

As further described in the subsequent events note, on 14 July 2020, the Group issued new borrowings, which it used to repay its existing borrowings and to fund acquisitions. The Directors' going concern assessment takes into account these new financing arrangements and latest forecasts for the enlarged group.

The Directors of the Company have also considered the wider operational consequences and ramifications of the Covid-19 pandemic.

- Business Continuity Plans are in place across the Company's offices, with measures to manage employee absences, access to other offices, the efficiency and stability of the Company's infrastructure and the ability for home working for a significant portion of the employee base. Leadership teams and working groups led by senior managers are in place to support operational resilience and taking common-sense precautions with a view to ensuring the wellbeing of colleagues. We continue to review this approach on a daily basis in line with latest global developments and government guidance.
- Insurance broking is a resilient and defensive market, which has historically had limited impact from past economic or capital market downturns.

Following the assessment of the Company's and Group's financial position, of the operational consequences and ramifications of the Covid-19 pandemic and of its ability to meet its obligations as and when they fall due, the Directors have a reasonable expectation that the Company' will be able to continue to operate for at least the next 12 months. Therefore, the financial statements have been prepared on a going concern basis.

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards as set out below.

Application of new and revised International Financial Reporting Standards ("IFRS")

The Company adopted IFRS 16 on 1 January 2019.

Nature of the change

IFRS 16 'Leases' sets out the principles for the recognition, measurement and presentation of leases, for both lessees and lessors. IFRS 16 superseded IAS 17 'Leases' and several related interpretations when it became effective on 1 January 2019. The date of initial application for the Company was 1 January 2019 and so IFRS 16 applies for accounting periods beginning on or after that date.

2 Accounting policies (continued)

Impact

The definition of a lease
IFRS 16 Leases became mandatorily effective on 1 January 2019. The company has applied this for the first time in this accounting period which resulted in changes to the accounting policies.

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to the direct use of that asset.

The Company applies the practical expedient in IFRS 16 not to separate non-lease components from lease components and instead, accounts for each lease component and any associated non-lease components as a single lease component.

Lessee accounting
The company transitioned to IFRS 16 using the modified retrospective approach and as a result the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. The prior period figures were not adjusted.

On adoption of IFRS 16, the company elected to apply the relief provisions available and has not reviewed contacts under the definition of a lease per IFRS 16, which had previously not been classified as leases under the principles of IAS 17. Therefore, only contracts entered into or modified on or after 1 January 2019 have the definition of a lease per IFRS 16 applied.

In addition, the company decided to apply recognition exemptions to leases with a term not exceeding 12 months and leases where the underlying assets are of low value.

For leases classified as operating leases under IAS 17, these lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The company has used the following practical expedients permitted by IFRS 16 when applying this for the first time to leases previously classified as operating leases:

- Applied a single discount rate to a portfolio of leases with similar characteristics
- Applied the exemption not to recognise liabilities for leases with less than 12 months of lease term remaining
- Excluded initial direct costs for the measurement of right-to-use assets at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extent or terminate the lease

Right-of-use assets are measured at either:

- Their carrying amount as if IFRS 16 has been applied since commencement, discounted using the lessee's incremental borrowing rate at the date of initial application
- An amount equal to the lease liability, adjusted for any prepaid or accrued lease payments

No adjustments are required on transition to IFRS 16 for leases where the company acts as a lessor, except for a sub-lease. A reassessment of the classification of a sub-lease is required under IFRS 16.

Lessor accounting
Lessor accounting as required by IFRS 16 is substantively unchanged from that required by IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those in IAS 17.

2 Accounting policies (continued)

Transition

The Company adopted IFRS 16 by applying the modified retrospective approach, which requires the cumulative effect of initial application of IFRS 16 to be recognised as an adjustment to the opening balance of retained earnings on the 1 January 2019 date of initial application, without restating prior years. There is no impact on retained earnings on 1 January 2019 as the Company recognised the right-of-use asset at an amount equal to the lease liability subject to other adjustments (see below), as permitted by IFRS 16 when initially applying this new accounting standard.

The Company applied the following practical expedients on the 1 January 2019 date of initial application of IFRS 16:

- The right-of-use asset was recognised at an amount equal to the lease liability at the date of initial application, adjusted by the amount in the statement of financial position immediately before the date of initial application for any prepaid or accrued lease payments and provisions for onerous leases;
- A single discount rate was used for a portfolio of leases with reasonably similar characteristics, in particular for property leases in the same lease term grouping;
- The right-of-use asset corresponding to existing operating leases was, as an alternative to performing an impairment review, reduced by the amount of the related onerous lease provisions immediately before the date of initial application;
- Initial direct costs were excluded from the measurement of the right-of-use asset; and
- Hindsight was used, in particular in determining the lease term for arrangements with options to extend or terminate the lease.

The effect of adopting IFRS 16 as at 1 January 2019 was as follows:

	Note	£ 000
Assets		
Right of use assets		139
Trade and other receivables		5
		144
Liabilities		
Lease liabilities		(131)
Trade and other payables (accruals)		(13)
		(144)

The weighted average incremental borrowing rate applied to lease liabilities recognised in the Statement of Financial Position at the date of initial application is 13.5%.

Accounting policies following adoption of IFRS 16

Below is a summary of the new accounting policies of the Company following the adoption of IFRS 16, which have been applied from the date of initial application.

2 Accounting policies (continued)

Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and are adjusted for certain remeasurements of the lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date of the lease less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable, which is generally the case. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment of an option to purchase the underlying asset.

Leases of low value assets
The Company elects on a lease-by-lease basis whether to apply the lease of low-value assets exemption to leases of office equipment that are considered to be of low value (i.e. below £5,000). Lease payments on leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

There are no other amendments to accounting standards, or IFRIC interpretations, that are effective for the year ended 31 December 2019 and that have had a material impact on the Company.

Intangible assets
Goodwill
Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Goodwill is not subject to amortisation but is tested for impairment.

Negative goodwill arising on an acquisition is recognised directly in the income statement. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal.

2 Accounting policies (continued)

Customer relationships
Customer relationship intangible assets are recognised on a business combination because the acquirer is able to benefit from selling future new business through existing relationships. Their fair value is calculated as the sum of the present value of projected cash flows in excess of returns on contributory assets over the life of the relationship with the customers. These assets are amortised on a straight-line basis over their estimated useful lives of between 6 and 17 years, which is estimated by reference to the history of the relationships and levels of attrition.

Computer software
Acquired computer software licences are recognised when they are purchased separately or are recognised on a business combination. Their fair value is calculated by reference to the net book value acquired. These costs are amortised on a straight-line basis over their estimated useful lives of 4 years.

Derecognition of intangible assets
An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in the Statement of Comprehensive Income when the asset is derecognised.

Impairment of assets
Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment at each Statement of Financial Position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the 'cash generating unit' to which the asset belongs is determined, being the lowest level for which there are separately identifiable cash flows.

Any impairment charges arising from the review of the carrying value of goodwill and intangible assets are, where material, presented separately on the face of the Statement of Comprehensive Income.

Property, plant and equipment
Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation
Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, as follows:

Asset class	**Depreciation method and rate**
Leasehold improvements	Over the remaining life of the lease
Fixtures and fittings	15% per annum straight line
Motor vehicles	25% per annum straight line
Furniture and office equipment	20% per annum straight line
Computer Hardware	25% per annum straight line

2 Accounting policies (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. 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 profit or loss when the asset is derecognised.

Financial instruments

Recognition and initial measurement
Financial assets and financial liabilities comprise all assets and liabilities reflected in the balance sheet, although excluding tangible assets, investment properties, intangible assets, deferred tax assets, prepayments, deferred tax liabilities and employee benefits plan.

The company recognises financial assets and financial liabilities in the statement of financial position when, and only when, the company becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

All regular way purchases and sales of financial assets and financial liabilities classified as fair value through profit or loss ("FVTPL") are recognised on the trade date, i.e. the date on which the company commits to purchase or sell the financial assets or financial liabilities. All regular way purchases and sales of other financial assets and financial liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the marketplace.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

2 Accounting policies (continued)

Derecognition

Financial assets

The company derecognises a financial asset when;
- the contractual rights to the cash flows from the financial asset expire,
- it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received is recognised as a gain or loss in the profit or loss.

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as FVTOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the company is recognised as a separate asset or liability.

The company enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

When the company derecognises transferred financial assets in their entirety, but has continuing involvement in them then the entity should disclose for each type of continuing involvement at the reporting date:

(a) The carrying amount of the assets and liabilities that are recognised in the entity's statement of financial position and represent the entity's continuing involvement in the derecognised financial assets, and the line items in which those assets and liabilities are recognised.

(b) The fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets;

(c) The amount that best represents the entity's maximum exposure to loss from its continuing involvement in the derecognised financial assets, and how the maximum exposure to loss is determined

(d) The undiscounted cash outflows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee for the transferred assets

Financial liabilities

The company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2 Accounting policies (continued)

Classification and subsequent measurement of financial assets

Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:-

Financial assets are classified into one of the following three categories:-
· financial assets at amortised cost;
· financial assets at fair value through other comprehensive income (FVTOCI); or
· financial assets at fair value through the profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:-
· financial liabilities at amortised cost; or
· financial liabilities at fair value through the profit or loss (FVTPL).

The classification and the basis for measurement are subject to the company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:-

Financial assets classified as amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:-
· the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
· the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the above two criteria is not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL).

If a financial asset meets the amortised cost criteria, the company may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

The Company's financial assets measured at amortised cost include trade and other receivables, cash and cash equivalents and other financial assets.

The Company's trade receivables do not generally have a significant financing component, so and as such their transaction (invoiced) price is considered to be their amortised cost.

Insurance brokers act as agents in placing the insurable risks of their clients with insurers and, as such, are not usually liable as principals for amounts arising from such transactions. In recognition of this relationship, debtors from insurance broking transactions are not, in general, included as an asset of the Company. Other than the receivable for fees and commissions earned on a transaction, no recognition of the insurance transaction does not, in general, occurs until the Company receives cash in respect of premiums or claims, at which time a corresponding liability is established in favour of the insurer or the client.

In certain circumstances, the Company advances premiums, refunds or claims to insurance underwriters or clients prior to collection. These advances are reflected in the Statement of Financial Position as part of trade receivables.

2 Accounting policies (continued)

Financial assets classified as FVTOCI

A financial asset is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVPTL:-

· the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

· the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investments that is not held for trading, the company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

If an equity investment is designated as FVTOCI, all gains and losses, except for dividend income, are recognised in other comprehensive income and are not subsequently included in the statement of income.

Financial assets classified as FVTPL

Financial assets not otherwise classified above are classified and measured as FVTPL.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting year. Specifically, :

• for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income; and

• for all other financial assets that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the operating costs line item.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition. They would only be reclassified if the Company were to change its business model for managing its financial assets, in which case the affected financial assets would be reclassified in the year following that change.

2 Accounting policies (continued)

Impairment of financial assets

The company recognises loss allowances for expected credit losses (ECL) on financial instruments that are not measured at FVPTL, namely:

- Financial assets that are debt instruments
- Accounts and other receivables
- Financial guarantee contracts issued; and
- Loan commitments issued.

The company classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the company recognises an allowance based on the 12-month ECL.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition, but they are not credit-impaired, the company recognises an allowance for the lifetime ECL.

Stage 3: for credit-impaired financial instruments, the company recognises the lifetime ECL.

The company measures loss allowances at an amount equal to the lifetime ECL, except for the following, for which they are measured as a 12-month ECL:

- debt securities that are determined to have a low credit risk (equivalent to investment grade rating) at the reporting date; and
- other financial instruments on which the credit risk has not increased significantly since their initial recognition.

The company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

A 12-month ECL is the portion of the ECL that results from default events on a financial instrument that are probable within 12 months from the reporting date.

Provisions for credit-impairment are recognised in the statement of income and are reflected in accumulated provision balances against each relevant financial instruments balance.

2 Accounting policies (continued)

Definition of default
The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

• when there is a breach of financial covenants by the counterparty; or
• information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full.

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a longer or shorter default criterion is more appropriate.

Credit-impaired financial assets

Evidence that the financial asset is credit-impaired include the following;

• Significant financial difficulties of the borrower or issuer;
• A breach of contract such as default or past due event;
• The restructuring of the loan or advance by the company on terms that the company would not consider otherwise;
• It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
• The disappearance of an active market for the security because of financial difficulties; or
• There is other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the company, or economic conditions that correlate with defaults in the company.

Write-off policy

For trade receivables, the company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Classification and subsequent measurement of financial liabilities
All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

2 Accounting policies (continued)

Financial liabilities at fair value through the profit or loss
Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative liabilities.

The Company's financial liabilities include borrowings, and trade and other payables.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date. Borrowings are recognised initially at fair value, net of transactions costs incurred. They are subsequently measured at amortised cost using the effective interest rate method.

Trade payables are initially recognised at fair value and are subsequently measured at amortised cost.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Taxation
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.

The tax expense for the period comprises current and deferred 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.

2 Accounting policies (continued)

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 Statement of Comprehensive Income.

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

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer (net of refunds) and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a service to a customer.

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 charges fees and 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.

Post-placement performance obligations

The Company may also have post-placement obligations in contracts with customers, which mainly consist of claims handling services associated with the claims life cycle, for example first notification, claims investigation, decision and settlement, supply chain management, fraud investigation, field/loss adjusting services and management information, but which may also include other performance obligations such as the provision of mid-term adjustments.

To the extent that commission and fees received (or receivable) relate to both placement and post-placement performance obligations, a suitable proportion of income related to post-placement obligations is deferred based on the estimated standalone selling prices of the performance obligations in the contract and is presented as a contract liability. Revenue for post-placement obligations is recognised over the period of providing the services.

2 Accounting policies (continued)

Variable consideration

The Company is a party to the following material arrangements where the consideration receivable by the Company is variable:

- Some contracts with customers include cancellation rights, whereby the consideration receivable by the Company is subject to a clawback. Some policies placed by the Company are rolling until the customer cancels the policy. If no claims are made under the policy, then cancellations usually entitle the policyholder to a proportional refund of the consideration.

  When the effect is material, the Company adjusts the estimated consideration for the expected clawback based on historical experience of average cancellations and recognises revenue only on the amount that is not expected to be refunded. The Company reassess at the end of the reporting period whether the estimated clawback needs to be revisited. Amounts that are expected to be refunded for consideration that has been received or invoiced are recognised in trade and other payables. Revenue recognised on rolling contracts (based on the expected consideration net of cancellations) is presented in contract assets until the consideration is invoiced.

Contract costs

Contract costs give rise to assets recognised in accordance with IFRS 15, which consist of

- Costs to fulfil - salary and other costs of customer-facing employees who undertake activities necessary to satisfy anticipated contracts with the customer. The Company estimates the proportion of costs that are eligible to be capitalised based on the time spent by customer-facing employees on relevant inception/renewal activities. Capitalised costs are released to profit or loss on inception or renewal of the contract with the customer, which normally takes place within 1-3 months of the reporting year.
- Costs to obtain - incremental fees paid to distributors (usually aggregator websites) for obtaining new business. These costs are amortised, on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates, over the average life of the relationship with the customer.
- The Company utilises the practical expedient to recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

2 Accounting policies (continued)

Employees benefits

Long-Term Incentive Plans

The Group operates a number of Long Term Incentive Plans ("LTIP"s), under which the Company receives services from employees as consideration for cash settled incentives which vest over a number of years based on achievement against certain performance measures and/or service conditions. The incentives are paid to participants at the end of the relevant performance and/or service period (the 'performance period'), in some instances interim payments are made but in all instances participants must then remain in employment for a further period (the clawback period) in order to retain the full value of their pay out.

The Company recognises an expense in respect of LTIPs over the vesting period, which is deemed to commence when the Company makes participants aware of their right to participate in the LTIP and ends on conclusion of the clawback period.

Where an LTIP is payable in instalments the Company recognises an expense either based on (i) the staged vesting approach or (ii) the plan's benefit formula, depending on the specific facts and circumstances of the relevant award. Where benefits are materially higher in later years the expense is recognised on a straight-line basis over the vesting period.

At the end of each reporting period the Company revises its estimate of the expected pay out, it recognises the impact of the revision to original estimate, if any, in the income statement with a corresponding adjustment to the related provision (during the performance period) or prepayment (during the clawback period) as relevant.

Share-based payments

The Group 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 ("MIP") shares. 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 ("IPO") or a winding-up.

The Group has the option to repurchase MIP shares if employees leave the Group 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 Group assesses the length of the vesting period based on the most likely date of crystallisation, where a crystallisation event is not deemed probable no expense is recognised.

Finance income and costs policy

The Company's finance costs include:

• unwind of discount on provisions
• unwind of discount on financial assets or liabilities, including lease liabilities and lease receivables

Interest expense are recognised using the effective interest method for debt instruments classified as amortised cost and as FVTOCI.
Interest earned on assets mandatorily required to be measured at FVTPL is recorded using the contractual interest rate.

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.

The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below.

Critical judgements in applying accounting policies

Key sources of estimation uncertainty

Deferred tax assets
Significant judgement is required in determining the asset recognised in respect of deferred tax. A deferred tax asset is recognised for temporary timing differences, but management's best estimate is used to determine the extent to which it is probable that taxable profit will be available in the future against which the temporary differences can be utilised, and to determine the amount of this taxable profit. Deferred tax assets are measured in accordance with the tax rates and laws that have been enacted or substantively enacted by the end of the reporting year.

The deferred tax asset as at 31 December 2019 is £Nil (2018: £44.0k). See note 10.

Key sources of estimation uncertainty

Leases – determination of the discount rate
Under IFRS 16 the Company is required to measure the lease liabilities at the present value of lease payments to be made over the lease term. In substantially all leases the Company uses the incremental borrowing rate at the lease commencement date because the rate implicit in the lease is not readily determinable. The determination of the incremental borrowing rate has a material impact on the amounts initially recognised as a lease liability and on the corresponding right-of-use asset. It also impacts the amounts that are subsequently recognised as amortisation and interest expense in the Statement of Comprehensive Income.

The Company has determined the discount rate based on the Group's available secondary bond market yield to maturity pricing, and the discount rate used for each lease depends on the lease amount and term.

The weighted average discount rate used to calculate the lease liabilities at the date of transition to IFRS 16 is 13.5%.

Impairment of trade and other receivables
The Company makes an estimate of the recoverable value of trade receivables and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile and historical experience. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables and contract assets.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Useful lives of intangible assets
The Company has recognised a number of intangible assets resulting from business combinations. The useful lives of these intangible assets have been estimated.

4 Discontinued operations

As part of the Group's strategy to align the legal entity structure with its operating segments. the Company has disposed of its operations via business transfer transactions under common control.

Being common control transactions these are outside the scope of IFRS 3. Assets and liabilities are transferred at book value using the predecessor accounting model in line with Group policy. The difference between consideration received and the sum of the carrying amounts of the assets and liabilities transferred is recognised in a merger reserve.

The Company has been the transferor in disposing of the following net assets:

	Towergate Taxis portfolio transferred to Towergate Underwriting Group Ltd
	£ 000
Consideration for future economic rights	524
Merger reserves	(524)

5 Turnover

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

	2019 £ 000	2018 £ 000
Commission and fees	1,554	4,393
Trading deals	51	51
	1,605	4,444

5 Turnover (continued)

The analysis of the Company's turnover for the year by market is as follows:

1 January 2019 to 31 December 2019

	UK	Channel Islands	Total	2018
	£ 000	£ 000	£ 000	£ 000
Commission and fees	426	1,128	1,554	4,393
Trading deal income	26	25	51	51
	452	1,153	1,605	4,444

6 Operating profit

The following items have been charged/(credited) in arriving at operating profit/(loss):

	2019 £ 000	2018 £ 000
Amortisation and other amounts written off intangibles	23	19
Depreciation expense	6	9
Depreciation expense: right-of-use assets	43	-
Impairment of non-financial assets	(72)	(8)
Loss/(gain) on foreign exchange	39	(4)
Loss on disposal of goodwill	-	22,557

Management fees of £Nil (2018: £780.0k) relate to central recharges. Centralised IT, staff, property and other costs are recharged across cost centres within the rest of the Group. These costs were decentralised in 2019 and are now charged directly to the Company.

The fee for the audit of this Company of £106.5k (2018: £92.5k) was paid by other Group entities for which no recharge was made.

Amounts receivable by the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required to instead be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, The Ardonagh Group Limited.

The impairment of non-financial assets includes a credit of £34.2k, being an adjustment to contingent consideration associated with the acquisition of the Jersey trade and assets from Trust Insurance Group Services Limited in a prior period.

7 Staff costs

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

	2019 £ 000	2018 £ 000
Wages and salaries (excluding share-based payments)	618	1,390
Social security costs	38	107
Other pension costs	28	42
	684	1,539

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

	2019 No.	2018 No.
Administration	4	13
Sales	10	25
Management	2	3
	16	41

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.

All directors benefit from qualifying third-party indemnity provisions in place during the financial period and at the date of this report.

9 Finance income and finance costs

	2019 £ 000	2018 £ 000
Finance costs		
Other finance costs	15	1

In the current year, other finance costs of £15.0k represent the unwinding of discount calculated on lease liabilities under IFRS 16. In the prior year, the costs of £1.0k represent the unwinding of discount calculated on provision.

10 Income tax

Tax (charged)/credited in the profit and loss account

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax	(253)	(338)
UK corporation tax adjustment to prior periods	-	2
	(253)	(336)
Deferred taxation		
Arising from origination and reversal of temporary differences	(73)	35
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(5)	(169)
Total deferred taxation	(78)	(134)
Tax charge in the Statement of Comprehensive Income	(331)	(470)

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Profit/(loss) before tax	1,352	(20,852)
Corporation tax at standard rate of 19% (2018: 19%)	(257)	3,958
Expenses not deductible for tax purposes	(8)	39
Income not taxable for tax purposes	13	-
Adjustments to tax charge in respect of previous periods - current tax	-	2
Adjustments to tax charge in respect of previous periods - deferred tax	(5)	(169)
Deferred tax - intangible assets	5	(14)
Tax expense relating to changes in tax rates or laws	-	1
Deferred tax expense/(credit) from unrecognised tax loss or credit	(79)	-
Non-deductible loss of disposal of goodwill	-	(4,287)
Total tax charge	(331)	(470)

Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2019 continue to be measured at a rate of 17%. If the amended tax rate had been used, the deferred tax liability would have been £4k higher.

10 Income tax (continued)

Deferred tax
Deferred tax assets and liabilities

2019	Liabilities £ 000
Accelerated tax depreciation	-
Other items	(34)
	(34)

2018	Asset £ 000
Accelerated tax depreciation	82
Other items	(38)
	44

Other items comprise the deferred tax liability on intangible assets recognised on a business combination.

Deferred tax movement during the year:

	At 1 January 2019 £ 000	Recognised in income £ 000	Recognised in goodwill additions £ 000	At 31 December 2019 £ 000
Accelerated tax depreciation	82	(82)		
Other items	(38)	4	-	(34)
Net tax assets/(liabilities)	44	(78)		(34)

Deferred tax movement during the prior year:

	At 1 January 2018 £ 000	Recognised in income £ 000	Recognised in goodwill additions £ 000	At 31 December 2018 £ 000
Accelerated tax depreciation	246	(164)	-	82
Other items	(24)	30	(44)	(38)
Net tax assets	222	(134)	(44)	44

Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2019 continue to be measured at a rate of 17%. If the amended tax rate had been used, the deferred tax liability would have been £4k higher.

11 Intangible assets

	Goodwill £ 000	Contractual customer relationships £ 000	Computer software £ 000	Total £ 000
Cost or valuation				
At 1 January 2019	2,254	236	27	2,517
At 31 December 2019	2,254	236	27	2,517
Amortisation				
At 1 January 2019	549	18	21	588
Charge for the year	-	23	-	23
Eliminated on disposals	-	-	6	6
At 31 December 2019	549	41	27	617
Carrying amount				
At 31 December 2019	1,705	195	-	1,900
At 31 December 2018	1,705	218	6	1,929

11 Intangible assets (continued)

Impairment testing

Management reviews business performance based on lines of business. Goodwill is allocated to, and subsequently tested for impairment at Company level.

The recoverable amount of the Company is determined as the higher of fair value less costs to sell (FVLCS) and value in use (VIU), in accordance with the Company's accounting policy. For the year ended 31 December 2019, the recoverable amount of the Company was determined to be FVLCS.

FVLCS is considered to be a level 3 valuation in the fair value hierarchy, as it is not based on observable market data. It is derived based on Company's net assets and its future economic rights which is an average of a multiple of revenue and a multiple of EBITDA.

12 Tangible assets

	Leasehold improvements £ 000	Fixtures and fittings £ 000	Motor Vehicles £ 000	Computer equipment £ 000	Office equipment £ 000	Total £ 000
Cost or valuation						
At 1 January 2019	55	100	33	300	136	624
Additions	6	-	-	-	7	13
At 31 December 2019	61	100	33	300	143	637
Depreciation						
At 1 January 2019	45	100	33	300	136	614
Charge for the year	4	-	-	-	2	6
At 31 December 2019	49	100	33	300	138	620
Carrying amount						
At 31 December 2019	12	-	-	-	5	17
At 31 December 2018	10	-	-	-	-	10

13 Leases

Right-of-use assets

The Company applied IFRS 16 from 1 January 2019. The table below provides a schedule of the movements in the carrying amount of the right-of-use assets held on the Statement of Financial Position during the year ended 31 December 2019.

	Property £ 000	Non-property £ 000	Total £ 000	Lease Liabilities £
At 1 January 2019	139	-	139	(131)
Depreciation	(43)	-	(43)	-
Interest expense	-	-	-	(15)
Lease payments	-	-	-	53
At 31 December 2019	96	-	96	(93)
Current liabilities	-	-	-	(49)
Non-current liabilities	-	-	-	(44)

In addition to the above, the Company recognised the following in the Statement of Comprehensive Income for the year:

	2019 £ 000
Expense relating to variable lease payments not included in the measurement of the lease liability (recognised within other operating expenses)	
Service charges	10
Insurance rent	1
Irrecoverable VAT and other levies expensed (recognised within other operating expenses)	13
Other	2
	26

During the year ended 31 December 2019, the total cash outflows for leases was £53k.

13 Leases (continued)

Maturity analysis

The total future values of undiscounted lease liabilities are as follow:

	2019 £ 000
Within one year	53
In one to five years	53
Total undiscounted value	106

14 Other financial assets

	2019 £ 000	2018 £ 000
Non-current financial assets		
Fair value through other comprehensive income	5	5

The available for sale financial assets at FVOCI are comprised of unlisted investments.

Movement in other financial assets

	2019 £ 000	2018 £ 000
Cost		
At 1 January	5	5
Additions	-	-
Disposals	-	-
Carrying amount		
At 31 December	5	5

15 Cash at bank and in hand

	2019 £ 000	2018 £ 000
Own funds	765	282
Own funds - restricted	1,576	1,576
Fiduciary funds	1,620	2,349
	3,961	4,207

Fiduciary funds represent client money used to pay premiums to underwriters, to settle claims to policyholders and to defray commission and other income. Fiduciary funds are not available for general corporate purposes.

16 Trade and other receivables

	2019 £ 000	2018 £ 000
Current trade and other receivables		
Trade receivables	239	711
Less: expected credit loss allowance	(23)	(66)
Net trade receivables	216	645
Receivables from other Group companies	157,224	150,575
Prepayments	38	-
Accrued income	-	67
Other assets*	35	27
	157,513	151,314

*Cost to fulfil contracts with customers of £35k (2018: £27k) is included in other assets, which is presented within and included in trade and other receivables in the Statement of Financial Position. Costs to fulfil include salary and other costs of customer-facing employees who undertake activities necessary to satisfy anticipated contracts with the customer.

During the year, the Company made a provision of £38k (2018: £8k) at the year end, against receivables from related parties.

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

17 Trade and other payables

	2019 £ 000	2018 £ 000
Current trade and other payables		
Trade payables in relation to insurance transactions	(20)	1,386
Accrued expenses	18	108
Amounts due to other Group companies	65,640	59,498
Social security and other taxes	-	15
Other payables	20	-
Contingent consideration	-	126
Contract liabilities	20	48
	65,678	61,181

Contract liabilities are included in the trade and other payables in the Statement of Financial Position.

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

18 Provisions

	E & O £ 000	Long term incentive plan £ 000	Dilapidations £ 000	Total £ 000
At 1 January 2019	-	7	18	25
Increase in provision	-	-	6	6
Unused amounts reversed	-	(7)	-	(7)
Internally transferred in	2	-	-	2
Internally transferred out	(2)	-	(6)	(8)
At 31 December 2019	-	-	18	18
Current liabilities	-	-	12	12
Non-current liabilities	-	-	6	6

Litigation matters

In the normal course of business, the Company may receive claims in respect of alleged errors and omissions and other matters. Provisions are made in respect of such litigation matters, representing the best estimate of the liability based on legal advice where appropriate. The outcome of the currently pending and future proceedings, in relation to errors and omissions and other matters, cannot be predicted with certainty. Thus, an adverse decision in a current or future lawsuit could result in additional costs that are not covered, either wholly or partially, under insurance policies and that are in excess of the presently established provisions.

Long-term incentive plan

The Company has number of long-term incentive schemes. The amounts that will ultimately vest are dependent on achievement against various performance measures (including Company EBITDA and individual contribution targets) and/or service conditions. The incentives are paid to participants at the end of the relevant performance and/or service period. All outstanding amounts relating to the existing schemes were settled in the current year.

Dilapidations provision

The Company provides for the estimated amounts payable for dilapidation on each property at the end of the lease term.

19 Share capital

Allotted, called up and fully paid shares

	2019		2018	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	100,569	100,569	100,569	100,569

20 Loans and borrowings

	2019 £ 000	2018 £ 000
Non-current loans and borrowings		
Loans from related parties	12,330	12,330

Loan from related parties consist of a subordinated loan from Cullum Capital Ventures Limited, a fellow Group subsidiary company and is non-interest bearing. This loan cannot be repaid with less than two years notice.

21 Related party transactions

During the year 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.

22 Commitments

Guarantees

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 at 31 December 2019, the RCF facility capacity was £120m and undrawn.

On 19 November 2018 USD235m 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. These subsidiaries are listed below:

Ardonagh Midco 3 plc (RCF Guarantor only)	Ardonagh Midco 2 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 Finco 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
Nevada Investments 5 Limited	Price Forbes & Partners Limited

22 Commitments (continued)

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	Atlanta Investment Holdings Limited
Swinton Group Limited	Atlanta Investment Holdings A Limited
Swinton (Holdings) Limited	Atlanta 1 Insurance Services Limited
Swinton Properties Limited	Carole Nash Insurance Consultants Limited
KDB Medicals Limited	Health and Protection Solutions Limited

23 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

24 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 have also been used to fund the acquisition of Bennetts Motorcycling Services Limited.