

Registration number: 07476462

Ardonagh Services Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2018

(Previously named Towergate Insurance Limited)



Ardonagh Services Limited

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Ardonagh Services Limited

Company Information

Directors D C Ross
D Cougill

Company secretary D Clarke

Registered office 4th Floor
1 Minster Court
Mincing Lane
London
EC3R 7AA

Auditors Deloitte LLP
1 New Street Square
London
EC4A 3HQ
United Kingdom

Ardonagh Services Limited

Strategic Report for the Year Ended 31 December 2018

The directors present their Strategic Report for the year ended 31 December 2018 for Ardonagh Services Limited ("the Company" or "TIL"). The Strategic Report provides a review of the business for the financial year and describes how the directors manage risks. The report outlines the developments and performance of the Company during the financial year, the position at the end of the year and discusses the main trends and factors that could affect the future. The Company is part of The Ardonagh Group Limited ("the Group").

Principal activities and business review

The principal activity of the Company is that of a non-trading holding company. The Company incurs costs on behalf of the Group and its subsidiary companies and makes recharges to these companies.

The results for the Company show a loss before tax of £167.3m (2017: £52.1m) for the year and turnover of £49.9m (2017: £37.1m). At 31 December 2018 the Company had net current assets of £506.0m (2017: net current liabilities of £204.0m) and net assets of £625.4m (2017: £637.5m). To ensure the Company continues trading Ardonagh Midco 3 Plc has indicated that it is its current intention that, for at least twelve months from the date of approval of these financial statements, it will continue to make available sufficient funds as needed by the Company.

On 12 April 2019 the Company changed its name from Towergate Insurance Limited to Ardonagh Services Limited.

Outlook

In January 2018 the Company sold its 19.9% shareholding in Bravo Investment Holdings Limited ("Bravo") to Nevada Investment Holdings 2 Limited, a related party of the Group due to its common shareholders as discussed in note 13 on page 37.

The directors do not expect there to be any further changes in the nature of the business in 2019.

Key performance indicators

The directors of the Group manage the Group's operations on a divisional basis. For this reason, the Company's directors believe that a separate analysis for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business. The development, performance and position of the Group is discussed in the Group's annual report.

A key performance indicator for this company is the carrying value of its investments in subsidiaries. The performance of the subsidiary undertakings will determine whether an impairment to the carrying value is required and this is tested on a regular basis.

There were no impairment charges for the current year end.

Ardonagh Services Limited

Strategic Report for the Year Ended 31 December 2018

During the year ended 31 December 2018, the Company made an adjustment to a provision against intercompany debt due from the Towergate Financial Group of £5.3m (2017: £3.9m), reflecting the movement in the Towergate Financial intercompany balances in the period. These balances are deemed unrecoverable and hence have been fully impaired.

Non-financial key performance indicators include staffing levels which have reduced by 11% (2017: 14% increase) during the year, due mainly to the Finance Transformation Project. Staff perform a significant amount of the central service functions for the Group. The Company actively encourages all employees to become involved in Group affairs and is also keen to encourage two-way communications on relevant business issues. This is achieved through regular employee meetings and presentations by senior management and is supported by a Group wide communication plan. Further discussions on employee matters can be found in the directors' report.

Principal risks and uncertainties

Risk management

The Company's performance and value, as a holding company of the Group, is integrated with its investment in the Company's subsidiaries. As such the principal risks and uncertainties are integrated with the principal risks of the Group and are managed separately. Accordingly, the principal risks and uncertainties are discussed in the Group's annual report.

A principal risk of this holding company is the trading performance of its subsidiaries. Trading performance in the subsidiaries could create the need for impairment leading to a reduction in net assets. The subsidiaries set performance targets for the year ahead and performance is reviewed regularly against these targets. Reasons for under performance are monitored and mitigating actions are taken. Investments are reviewed for impairment to ensure the appropriate carrying value for each investment in the holding company's accounts.

Other principal risks and their mitigation are as follows:

Financial risk

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

Operational risk

There is the risk of losses arising from inadequate or failed internal processes or systems, from personnel and / or from external events. The Group is committed to undertaking a series of activities that are linked to the Transformation strategy. These activities are targeted at driving operational effectiveness, cost synergies, and better management of operational risks and have involved substantial investment in systems and technology. In addition, the Group continues to follow a stated strategy of continued development in our people and corporate culture.

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 insurance to protect against such contingencies.

Ardonagh Services Limited

Strategic Report for the Year Ended 31 December 2018

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 ("FCA"), a dedicated compliance function, and a compliance monitoring programme. Furthermore, there is a control framework that has been rolled out and embedded within the culture throughout the Company to reduce the risk of errors and non-compliance.

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 economic and competitive environment and diversification of product lines and channels.

General Data Protection Regulation

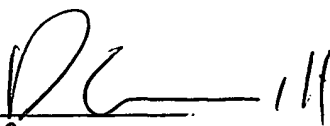
Our computer systems store information about our customers, some of which is sensitive personal data. Database privacy, identity theft and related computer and internet issues are matters of growing public concern and are subject to changes in rules and regulations. Our failure to adhere to or successfully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

Future impact of Brexit

As a business that operates in the United Kingdom ("UK") predominantly the Company is affected by economic conditions in the UK and the associated possibility of decline in business and customer confidence. This risk has been exacerbated by the uncertainties surrounding the UK's decision to leave the European Union ("Brexit"). Our typical small to medium-sized business ("SME") customers and individual consumers of the Company's subsidiaries may be more vulnerable to any economic downturn than larger commercial customers, reducing or delaying insurance purchases or making premium payments.

The Brexit decision could lead to the UK leaving the single market for goods and services and the ability of businesses to passport between the UK and other European Union ("EU") states. The direct impact on the Company and its subsidiaries will not be significant because it currently conducts little business outside the UK, although there may be some effects on the insurance markets into which it places business.

Approved by the Board on 22 Aug 2019 and signed on its behalf by:


DIANNE COUGHLIN
DIRECTOR.

Ardonagh Services Limited

Directors' Report for the Year Ended 31 December 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Directors of the Company

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

P N Butler (resigned 1 April 2019)

C E Dandridge (resigned 1 April 2019)

V A Dombalagian (resigned 1 April 2019)

S French (resigned 1 April 2019)

F Mackle (resigned 1 April 2019)

M S Mugge (resigned 2 March 2018)

D C Ross

J I Tiner (resigned 1 April 2019)

C Bouch (resigned 1 April 2019)

A Erotocritou (appointed 2 March 2018 and resigned 7 November 2018)

M Y A Boulanger (resigned 1 April 2019)

D Cougill (appointed 7 November 2018)

A Cusaro (resigned 1 April 2019)

M W Raino (appointed 31 January 2018 and resigned 1 April 2019)

Dividends

The directors do not recommend a final dividend payment to be made in respect of the financial year ended 31 December 2018 (2017: £Nil).

Financial risk management objectives and policies

Details of financial risk management objectives and policies can be found in the Strategic Report within the 'Risk management' section on page 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 (2017: £Nil).

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.

Ardonagh Services Limited

Directors' Report for the Year Ended 31 December 2018

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 at least the next twelve months from the date of approval of the financial statements. In reaching their view on the preparation of the Company's financial statements on a going concern basis, the Directors have also considered the letter of support provided by Ardonagh Midco 3 Plc. 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.

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.

Appointment of auditor

During the year ended 31 December 2017, a formal tender process took place, led by The Ardonagh Group Limited Audit Committee. As a result of this tender process the Audit Committee recommended, and The Ardonagh Group Limited Board approved on behalf of the Company, the proposed appointment of Deloitte LLP as external auditor for the financial year ending 31 December 2018.

Approved by the Board on 22 Aug 2019 and signed on its behalf by:


DIANE COUGILL
DIRECTOR

Ardonagh Services Limited

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with the applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standards 101 (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 period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Ardonagh Services Limited

Independent Auditor's Report to the Members of Ardonagh Services Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Ardonagh Services Limited ("the Company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss 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".

Basis for opinion

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

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

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Ardonagh Services Limited

Independent Auditor's Report to the Members of Ardonagh Services Limited

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, 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.

Ardonagh Services Limited

Independent Auditor's Report to the Members of Ardonagh Services Limited

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception


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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

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


.....
Mark McIlquham (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London
United Kingdom

Date: 22 Aug 2019

Ardonagh Services Limited

Statement of Comprehensive Income for the Year Ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
Turnover	4	49,907	37,131
Amortisation	5	(1,785)	(1,612)
Administrative expenses		<u>(82,442)</u>	<u>(62,543)</u>
Operating loss	5	<u>(34,320)</u>	<u>(27,024)</u>
(Loss)/gain on disposal of investment	12	(140,232)	12,398
Impairment of investments	12	<u>-</u>	<u>(34,841)</u>
Finance income	6	18,096	9,331
Finance costs	6	<u>(10,828)</u>	<u>(10,804)</u>
Net finance income/(cost)	6	7,268	(1,473)
Share of Associated Companies' Earnings	13	<u>-</u>	<u>(1,139)</u>
Loss before tax		(167,284)	(52,079)
Tax credit/(charge)	9	<u>3,946</u>	<u>(6,154)</u>
Net loss for the year		<u><u>(163,338)</u></u>	<u><u>(58,233)</u></u>

The above results were derived from continuing operations.

The notes on pages 15 to 48 form an integral part of these financial statements.

Ardonagh Services Limited

(Registration number: 07476462)

Statement of Financial Position as at 31 December 2018

	Note	2018 £ 000	2017 £ 000
Assets			
Non-current assets			
Property, plant and equipment	10	5,074	7,455
Intangible assets	11	15,470	13,926
Investments in subsidiary undertakings	12	113,950	814,892
Investments in associates	13	-	5,356
Deferred tax assets	9	1,833	-
		<u>136,327</u>	<u>841,629</u>
Current assets			
Trade and other receivables	15	1,275,668	470,667
Income tax asset		2,559	3,299
Cash and cash equivalents	16	5,819	12,274
		<u>1,284,046</u>	<u>486,240</u>
Total assets		<u><u>1,420,373</u></u>	<u><u>1,327,869</u></u>

The notes on pages 15 to 48 form an integral part of these financial statements.


Ardonagh Services Limited

(Registration number: 07476462)

Statement of Financial Position as at 31 December 2018

	Note	2018 £ 000	2017 £ 000
Equity and liabilities			
Equity			
Called up share capital	17	1,739,092	1,588,078
Share premium reserve		117,980	117,980
Capital contribution		33,054	32,862
Retained earnings		(1,264,753)	(1,101,415)
		<u>625,373</u>	<u>637,505</u>
Non-current liabilities			
Trade and other payables	21	16,750	-
Provisions	23	<u>263</u>	<u>97</u>
		<u>17,013</u>	<u>97</u>
Current liabilities			
Trade and other payables	21	610,062	534,874
Loans and borrowings	18	162,526	151,729
Provisions	23	<u>5,399</u>	<u>3,664</u>
		<u>777,987</u>	<u>690,267</u>
Total liabilities		<u>795,000</u>	<u>690,364</u>
Total equity and liabilities		<u>1,420,373</u>	<u>1,327,869</u>

Approved by the Board on 22 August 2019 and signed on its behalf by:


 DIANE COUGHLIN
 DIRECTOR

The notes on pages 15 to 48 form an integral part of these financial statements.

Ardonagh Services Limited

Statement of Changes in Equity for the Year Ended 31 December 2018

	Note	Share capital £ 000	Share premium £ 000	Capital contribution £ 000	Retained losses £ 000	Total £ 000
At 1 January 2018		1,588,078	117,980	32,862	(1,101,415)	637,505
Loss for the year		-	-	-	(163,338)	(163,338)
New share capital issued	17	151,014	-	-	-	151,014
Capital contribution share-based payment		-	-	192	-	192
At 31 December 2018		<u>1,739,092</u>	<u>117,980</u>	<u>33,054</u>	<u>(1,264,753)</u>	<u>625,373</u>

		Share capital £ 000	Share premium £ 000	Capital contribution £ 000	Retained losses £ 000	Total £ 000
At 1 January 2017		1,407,307	117,980	32,862	(1,043,182)	514,967
Loss for the year		-	-	-	(58,233)	(58,233)
New share capital issued		180,771	-	-	-	180,771
Capital contribution share-based payment		-	-	-	-	-
At 31 December 2017		<u>1,588,078</u>	<u>117,980</u>	<u>32,862</u>	<u>(1,101,415)</u>	<u>637,505</u>

The notes on pages 15 to 48 form an integral part of these financial statements.

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

1 Authorisation of financial statements

The Company is a private company limited by share capital incorporated and registered in England, United Kingdom. The registered office address can be found on page 1. Details of the principal activities of the Company can be found in the Strategic report on page 2.

With effect from 12 April 2019, the Company changed its name from Towergate Insurance Limited to Ardonagh Services Limited.

These financial statements for the year ended 31 December 2018 were authorised for issue by the Board on 22 April 2019 and the Statement of Financial Position was signed on the board's behalf by D. Conry.

2 Accounting policies

Basis of preparation

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

As a wholly owned subsidiary of The Ardonagh Group Limited, the Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group accounts, and its results are included in the consolidated accounts of its ultimate parent.

IFRS 9, IFRS 15 and other new standards are applicable for financial reporting periods starting on 1 January 2018 or later. These new standards did not have a material impact on the Company.

The financial statements are presented in GBP sterling (£), which is also the Group's functional currency.

Amounts shown are rounded to the nearest thousand, unless stated otherwise.

The consolidated financial statements have been prepared under the historical cost convention, as modified to use a different measurement basis where necessary to comply with IFRS.

Summary of disclosure exemptions

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

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-Based Payment because the arrangement concerns instruments of another group entity;

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

2 Accounting policies (continued)

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64 (q)(ii), B66 and B67 of IFRS 3 Business Combinations which includes among other exemptions the requirement to include a comparative period reconciliation for goodwill;
- the requirements of paragraph 33(c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures and of paragraphs 91-99 of IFRS 13 Fair Value Measurement apart from those which are relevant for the financial statements which are held at fair value not held as part of a trading portfolio;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to provide comparative period reconciliations in respect of outstanding shares, property, plant & equipment and intangible assets;
- the requirements in paragraph 10(d) and 111 of IAS 1 Presentation of Financial Statements to prepare a Cash flow statement and the requirements in IAS 7 Statement of Cash Flows regarding the same;
- the requirements in paragraph 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements, which includes the need to provide details on capital management;
- the requirements of paragraphs 30 and 31 in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors regarding disclosure of new IFRS standards not yet effective at the reporting date and their potential impact;
- the requirements in paragraphs 17 and 18A of IAS 24 Related Party Disclosures around the need to disclose information on key management personnel and details on related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 134(d) - 134(f) and 135(c) - 135(e) of IAS 36 Impairment of Assets in respect of disclosure of assumptions on which projections used in the impairment review are based and sensitivity analysis.

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

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Judgments made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the Critical accounting policies and estimates disclosure on page 24.

Going Concern

The financial statements of the Company set out on pages 11 to 48 have been prepared on a going concern basis. At 31 December 2018, the Company had net assets of £625.4m (2017: £637.5m) and net current assets of £506.0m (2017: net current liabilities of £204.0m). The Company reported an operating loss of £34.3m for the year ended 31 December 2018.

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

2 Accounting policies (continued)

The Directors consider the going concern basis to be appropriate following their assessment of the Group'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 Group and its base case and stressed cash flow forecasts over the calendar years 2019 and 2020.
- The principal risks facing the Group and its systems of risk management and internal control.
- Q1 2019 liquidity is tracking favourably to plan in line with management's expectations.

Key assumptions that the Directors have made in preparing the base case cash flow forecasts are that the Group:

- Invests to complete the major business transformation projects involving the finance function and broker system consolidation and that it achieves the projected synergies.
- Continues to benefit from the Revolving Credit Facility of £120m, which is limited to £90m whilst the Letter of Credit ancillary facility of £50m remains in place. None of the available £90m Revolving Credit Facility was utilised at 31 December 2018.
- Settles the ETV liabilities over a 24-month period commencing Q3 2019.

Key stress scenarios that the Directors have considered are:

- A shortfall in base case projected operating cash flows due to adverse economic conditions, project over-spend and project delays.
- Deterioration in the quantum and acceleration of the settlement of the ETV liabilities compared to the base case.
- Mitigating actions within management control such as:
 - Delayed capital expenditure and a reduction in discretionary spend. This action could be utilised if trading performance and cash flows are not in line with the reforecast and can be managed by temporary spending deferrals.
 - Raising additional debt, additional shareholder support, and the potential sale of non-core assets.

Following the assessment of the Group's financial position and of its ability to meet its obligations as and when they fall due, the Directors have a reasonable expectation that the Group will be able to continue to operate for at least the next twelve months from the date of approval of the financial statements. Therefore, the annual financial statements have been prepared on a going concern basis.

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

2 Accounting policies (continued)

IFRS 16 'Leases'

The Company's adoption date will be 1 January 2019.

Nature of change

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

The Company will adopt 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 not anticipated to be a significant impact on retained earnings on 1 January 2019 as the Company intends to recognise the right-of-use assets at an amount equal to the lease liabilities, as permitted by IFRS 16 when initially applying this new accounting standard.

IFRS 16 eliminates the classification of leases for lessees as either operating leases or finance leases. It introduces a single accounting model for lessees, requiring the Company to recognise substantially all of its current operating lease commitments in the statement of financial position as a lease liability and a right-of-use asset. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

Impact

The Company has undertaken a project to identify the impact of the transition to IFRS 16. This has involved the use of third party experts, the identification of lease arrangements and the implementation of new internal reporting systems that are compliant with IFRS 16. The Company is continuing to assess the impact.

Areas of management judgement will relate to the accounting for lease extension and termination options (considered on a case by case basis), whether contracts with suppliers contain a lease, and whether there are separate lease and non-lease components within a contract.

The definition of a lease:

IFRS 16 distinguishes between leases and service contracts on the basis of whether there is control of the use of an identified asset. Control is considered to exist if there is:

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

Lessee accounting

A right of use asset and lease liability are recognised in the balance sheet. The lease liability is measured at the present value of future lease payments. The right of use asset for a particular lease is usually similar in amount to the corresponding lease liability on inception of the lease, but their carrying amounts diverge through the life of the lease as the asset is depreciated on a straight-line basis whereas interest arises on the lease liability and so is higher in earlier years.

Key impacts of IFRS 16 on lessee accounting are expected to be as follows:

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

2 Accounting policies (continued)

- An increase in assets and an increase in liabilities; and
- No impact of any significance on reserves.

The Company will elect not to recognise a right-of-use asset and a lease liability for short-term leases (i.e. 12 months or less) and leases of low-value assets.

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

- A single discount rate will be 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 an existing operating lease will, as an alternative to performing an impairment review, be reduced by the amount of the onerous lease provision for that operating lease immediately before the date of initial application;
- Initial direct costs will be excluded from the measurement of the right-of-use asset; and
- The use of hindsight will be used, in particular in determining the lease term for arrangements with options to extend or terminate the lease.

The impact for lessees on IAS 17 lease classifications is as follows:

Operating leases

- A right of use asset and lease liability will be brought on to the balance sheet. The IAS 17 rental charge is replaced by depreciation and interest.
- The main difference between the lease liability to be recognised on 1 January 2018 and the operating lease commitment disclosed in note 36 arises from the use of discount rates.

Finance leases

- Finance leases in place at 31 December 2018 will be reclassified from property, plant and equipment to right of use assets and from obligations under finance leases to lease liabilities.

Lessor accounting:

The Group does not undertake arrangements as a lessor other than as a sublessor, but sublessor arrangements are not material to the Group.

Turnover

(a) Management charge

The Company has recharged the costs incurred to certain (direct and indirect) trading subsidiaries throughout the year. The management fee receivable (the total of the recharged costs) is shown as turnover in the Statement of Comprehensive Income.

(b) Other income

Other income relates to incentive payments received from suppliers.

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

2 Accounting policies (continued)

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 Statement of Comprehensive Income, 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.

Property, plant and equipment

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

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting year. Property, plant and equipment is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of property, plant and equipment, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised. At the reporting date, the Group's principal rates of depreciation were as follows:

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 or over 6 years
Motor vehicles	25% per annum straight line
Furniture and office equipment	20% per annum straight line
Computer hardware	25% per annum straight line

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

2 Accounting policies (continued)

Intangible assets

Computer software

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

Internally-generated computer software and assets under construction

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development of computer software (or from the development phase of an internal project) is recognised if, and only if, all the following conditions have been demonstrated:

- the technical feasibility of completing the asset so that it will be available for use or sale;
- the intention to complete the asset and to use or sell it;
- the ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and
- the ability to measure reliably the expenditure attributable to the asset during its development.

The amount initially recognised is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above and is classified as an asset under construction. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period when it is incurred.

Internally-generated intangible assets are not amortised in the period subsequent to initial recognition but before they are ready for use. Amortisation commences when they are ready for use as intended by management. They are then reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Internally-generated intangible assets are amortised on a straight-line basis over their estimated useful lives of four 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, and are recognised in profit or loss when the asset is derecognised.

Impairment of assets

Assets which 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 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.

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

2 Accounting policies (continued)

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

Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities are classified and measured at FVTPL when 1) the financial liability is contingent consideration relating to a business combination, or 2) it is, subject to certain criteria, designated as at FVTPL. Financial liabilities are otherwise classified and measured at amortised cost.

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

Borrowings

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 transaction costs incurred. They are subsequently stated at amortised cost using the effective interest rate method.

Trade payables

Trade payables are initially recognised at fair value and are subsequently measured at amortised cost except for deferred and contingent consideration which is measured at fair value based on the underlying criteria of each transaction.

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

2 Accounting policies (continued)

Contingent consideration

Contingent consideration is measured at fair value on acquisition date and relates to either a deferred portion of the purchase price or relates to the future acquisition by the Company of a minority shareholding. Contingent consideration which is a deferred portion of the purchase price is measured at fair value at the date of acquisition and amended in future periods if the amount that is payable is determined to be different. Contingent consideration related to the future purchase of minority interests in fellow subsidiaries is valued according to an agreed calculation based on the results of the relevant company, this contingent consideration is revalued annually.

Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the Statement of Financial Position at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the associate, less any impairment in the value of the investment.

Provisions

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

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

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

Share capital

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

Defined contribution pension obligation

Pension costs

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

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

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

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

2 Accounting policies (continued)

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.

Financial guarantees

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

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

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

Key sources of estimation uncertainty

Errors and omissions liability

During the ordinary course of business, Ardonagh Services Limited and its subsidiaries can be subject to claims for errors and omissions. A statement of financial position provision is established in respect of such claims when it is probable that the liability has been incurred and the amount of the liability can be reasonably estimated.

The Company analyses its litigation exposures based on available information, including external legal consultation where appropriate, to assess its potential liability.

The outcome of the currently pending and future proceedings 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 are in excess of the presently established provisions. It is possible therefore that the financial position, results of operations or cash flows of the Company could be materially affected by the unfavourable outcome of litigation.

Whilst the Company is not a regulated trading company, the total Group errors and omissions liability is held on the Company's Statement of Financial Position and the estimation is therefore material to these financial statements. In 2018 the provision was £4.5m (2017: £3.5m).

Impairment of assets

Investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may exceed its recoverable amount.

An impairment test is performed by comparing the investment's carrying amount with its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use, where its VIU is the present value of its future cash flows. An impairment test requires the application of significant judgement because it relies on key assumptions, including forecast cash flows, a discount rate, a terminal growth rate and an EBITDA multiple.

Critical judgements in applying accounting policies

Disposal of an associate

The Company disposed of its entire shareholding in Bravo Investment Holdings Limited (Bravo) in 2018 see Note 13. The Company applied significant judgement in determining whether the disposal constituted a sale given that the Company retained some rights and has continuing involvement in relation to Bravo, in particular a right to appoint one non-executive director to the Board of Directors of Bravo, a call option over the shares of Bravo, and involvement in that the Company provides certain services to Bravo. The Company determined that the transaction constituted a sale due to the following:

- The Company does not retain any voting or other economic rights, so it does not have any rights over the profit or net assets of Bravo;
- The call option is exercisable at the discretion of the Group at or above fair value; and
- The sale price and the price of other services provided by the Group to Bravo were determined at arm's length

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

4 Turnover

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

	2018	2017
	£ 000	£ 000
Other income	213	79
Management charge	49,694	37,052
	<u>49,907</u>	<u>37,131</u>

Turnover consists entirely of income generated in the United Kingdom.

The management charge noted in the table above reflects cost recharges made to other companies in the Ardonagh Group. The management charge includes the staff costs recharge as disclosed in Note 7.

5 Operating loss

Arrived at after charging/(crediting):

	2018	2017
	£ 000	£ 000
Depreciation expense	2,454	2,409
Amortisation expense	1,785	1,612
Auditor's remuneration: audit of these financial statements	37	104
Intercompany bad debt provision	5,331	3,880
Operating lease expense - property	5,112	-
Restructuring obligations	<u>794</u>	<u>181</u>

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 instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, The Ardonagh Group Limited.

During the year ended 31 December 2018, the Company made an adjustment to a provision against intercompany debt due from the Towergate Financial Group of £5.3m (2017: £3.9m), reflecting the movement in the Towergate Financial intercompany balances in the period. These balances are deemed unrecoverable and hence have been fully impaired.

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

6 Finance income and finance costs

	2018 £ 000	2017 £ 000
Finance income		
Interest income on bank deposits	824	385
Interest receivable from related parties	17,272	8,946
Total finance income	<u>18,096</u>	<u>9,331</u>
Finance costs		
Interest expense on loans and borrowings	<u>(10,828)</u>	<u>(10,804)</u>
Net finance (costs)/income	<u>7,268</u>	<u>(1,473)</u>

As at 31 December 2018 the Company was due a total of £25.5m (2017: £8.9m) of interest on loans to other group undertakings. The amounts due were as follows: £3.9m (2017: £1.3m) Nevada Investments 4 Limited; £5.6m (2017: £2.0m) Nevada Investments 7 Limited; £4.4m (2017: £1.5m) Nevada InvestorCo Limited; £6.9m (2017: £2.4m) Nevada Investments 3 Limited; £0.5m (2017: £0.2m) Price Forbes Holdings Limited; and £4.2m (2017: £1.5m) Lunar 101 Limited.

In the year ended 31 December 2018, the interest expense on the £122.0m subordinated loan, charged at 8.85% per annum, totalled £10.8m (2017: £10.8m).

Interest expense on other financing liabilities represents unwinding of discount calculated on provisions (Note 23).

7 Staff costs

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

	2018 £ 000	2017 £ 000
Wages and salaries	27,731	13,388
Social security costs	4,053	4,157
Pension costs, defined contribution scheme	341	188
Redundancy costs	1,183	234
	<u>33,308</u>	<u>17,967</u>

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

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

7 Staff costs (continued)

	2018 No.	2017 No.
Administration	367	436
Sales	14	-
Management	36	34
	<u>417</u>	<u>470</u>

The Company incurs payroll costs on behalf of other companies within the Group. In the year ended 31 December 2018 the gross cost incurred by the Company before recharges was £27.7m of which £8.7m has been recharged to certain (direct and indirect) subsidiaries of the Company. The staff cost remaining in the Company and charged to the Statement of Comprehensive Income totals £24.6m

In 2017, the Company incurred the gross cost before recharges of £29.0m of which £15.6m was recharged to subsidiaries of the Company. The above table presents the net cost of £13.4m. The staff cost remaining in the Company and charged to the Statement of Comprehensive Income amounted to £17.9m.

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.

Directors emoluments of £Nil (2017: £175,000) for services provided to this company have been paid by other Group entities, which make no recharge to the company.

9 Income tax

Tax (charged)/credited in the Statement of Comprehensive Income

	2018 £ 000	2017 £ 000
Current taxation		
UK corporation tax	2,567	3,299
UK corporation tax adjustment to prior periods	(454)	(7,722)
	<u>2,113</u>	<u>(4,423)</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	1,833	(1,755)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	-	24
Total deferred taxation	<u>1,833</u>	<u>(1,731)</u>
Tax credit/(expense) in the Statement of Comprehensive Income	<u>3,946</u>	<u>(6,154)</u>

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

9 Income tax (continued)

The tax on loss before tax for the year is higher than the standard rate of corporation tax in the UK (2017: higher than the standard rate of corporation tax in the UK) of 19% (2017: 19.25%).

The differences are reconciled below:

	2018 £ 000	2017 £ 000
Loss before tax	<u>(167,284)</u>	<u>(52,079)</u>
Corporation tax at standard rate	31,784	10,025
Adjustment for prior periods	(454)	(7,722)
Non-taxable gains on disposal of investments	(26,643)	-
Effect of expenses not deductible in determining (taxable profit)/ tax loss	(1,010)	(7,838)
Fixed asset timing differences	(2)	15
Increase from effect of revenues exempt from taxation	-	2,386
(Decrease) increase from deferred tax asset not recognised	972	(1,629)
Deferred tax (expense)/credit relating to changes in tax rates or laws	(101)	(1,391)
Group relief (surrendered)/claimed for nil consideration	<u>(600)</u>	<u>-</u>
Total tax credit/(charge)	<u>3,946</u>	<u>(6,154)</u>

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

Deferred tax

Deferred tax movement during the year:

	At 1 January 2018 £ 000	Recognised in income £ 000	At 31 December 2018 £ 000
Tax losses carry-forwards	-	1,618	1,618
Provisions	-	215	215
Accelerated tax depreciation	-	-	-
Net tax assets	<u>-</u>	<u>1,833</u>	<u>1,833</u>

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

9 Income tax (continued)

Deferred tax movement during the prior year:

	At 1 January 2017 £ 000	Recognised in income £ 000	At 31 December 2017 £ 000
Tax losses carry-forwards	-	-	-
Provisions	12	(12)	-
Accelerated tax depreciation	1,719	(1,719)	-
Net tax assets	<u>1,731</u>	<u>(1,731)</u>	<u>-</u>

The deferred tax asset has been calculated assuming an expected future rate of 17% at the date of utilisation. The tax rate prevailing when the assets are utilised may differ. It is anticipated that the company will have sufficient profitability in future years to ensure the utilisation of the deferred tax asset.

In addition to the above at 31 December 2018 the company has a potential deferred tax asset of £18.9m (2017: £19.9m) in relation to fixed asset timing differences and losses totalling £111.4m (2017: £117.2m). This deferred tax asset has not been recognised in these accounts as it is not expected that the company's future profitability will be sufficient to utilise it.

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

10 Property, plant and equipment

	Leasehold improvements £ 000	Fixtures and fittings £ 000	Motor vehicles £ 000	Assets under construction £ 000	Computer hardware £ 000	Furniture and office equipment £ 000	Total £ 000
Cost or valuation							
At 1 January 2018	83	115	77	-	10,141	124	10,540
Additions	41	31	-	13	-	13	98
Intercompany ad-hoc transfers	-	-	(25)	-	-	-	(25)
At 31 December 2018	124	146	52	13	10,141	137	10,613
Depreciation							
At 1 January 2018	15	51	52	-	2,888	79	3,085
Charge for the year	8	19	-	-	2,405	22	2,454
At 31 December 2018	23	70	52	-	5,293	101	5,539
Carrying amount							
At 31 December 2018	101	76	-	13	4,848	36	5,074
At 31 December 2017	68	64	25	-	7,253	45	7,455

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

11 Intangible assets

	Trademarks, patents and licenses £ 000	Internally generated software development costs £ 000	Software under construction £ 000	Computer software £ 000	Total £ 000
Cost or valuation					
At 1 January 2018	46	381	8,425	11,856	20,708
Additions	-	-	3,697	-	3,697
Disposals	-	-	(165)	-	(165)
Intercompany ad-hoc transfers	-	-	(203)	-	(203)
At 31 December 2018	46	381	11,754	11,856	24,037
Amortisation					
At 1 January 2018	44	378	-	6,360	6,782
Charge for the year	2	3	-	1,780	1,785
At 31 December 2018	46	381	-	8,140	8,567
Carrying amount					
At 31 December 2018	-	-	11,754	3,716	15,470
At 31 December 2017	2	3	8,425	5,496	13,926

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

12 Investments in subsidiaries undertakings

	£ 000
Cost or valuation	
At 1 January 2018	1,596,021
Additions	6,815
Disposals	<u>(1,247,979)</u>
At 31 December 2018	<u>354,857</u>
Provision for impairment	
At 1 January 2018	781,129
Eliminated on disposals	<u>(540,222)</u>
At 31 December 2018	<u>240,907</u>
Carrying amount	
At 31 December 2018	<u><u>113,950</u></u>
At 31 December 2017	<u><u>814,892</u></u>

The Company subscribed to an additional £3.2m share capital in Cullum Capital Ventures Limited, £3.3m share capital in Bishopsgate Insurance Brokers Limited and an additional £0.3m share capital in Towergate Risk Solutions Limited, all fellow Group subsidiaries.

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

12 Investments in subsidiaries undertakings (continued)

During the year, the Company disposed of the following investments:

Name of subsidiary	Date of disposal	Dissolved during the year £ 000	Intra-group disposals £ 000	Total £ 000
Bishopsgate Insurance Brokers Limited	30 September 2018	-	3,300	3,300
Towergate Underwriting Group Limited	24 December 2018	-	808,251	808,251
Towergate London Market Limited	30 September 2018	-	16,693	16,693
Paymentshield Group Holdings Limited	16 November 2018	-	98,313	98,313
Paymentshield Limited	16 November 2018	-	209,124	209,124
Towergate TLC Limited	8 September 2018	-	50	50
Fusion Insurance Holdings Limited	24 December 2018	-	111,338	111,338
Towergate Holiday Homes Underwriting Limited	28 May 2018	50	-	50
SMG Professional Risk Limited	28 May 2018	60	-	60
Hall and Clarke	28 May 2018	50	-	50
Folgate (HHH) Limited	28 May 2018	750	-	750
		<u>910</u>	<u>1,247,069</u>	<u>1,247,979</u>

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

12 Investments in subsidiaries undertakings (continued)

Impairment review

The Fair Value Less Cost of Sell ("FVLCS") is considered a Level 3 valuation in the fair value hierarchy, as it is not based on observable market data. The FVLCS has been derived first by performing a valuation of the wider Group and then by allocating that valuation to each subsidiaries investment.

The Group's FVLCS has been calculated by adding the value derived for the Group's equity to the fair value of its outstanding debt, less a reasonable allowance for costs to sell. The Group's equity valuation is based on a weighted average value of the price per share paid in two recent shareholder transactions. Full details and sensitivity analysis is provided in the financial statements of the Group.

The FVLCS of each investment in subsidiaries was derived based on its net assets and by allocating its relative proportion of the Group FVLCS, on the basis of forecast EBITDA attributable to that entity for 2018, as derived from the three-year plan. This most accurately reflects the perspective of external market participants as it incorporates the Company's future investment plans and strategic objectives for each investment in subsidiaries.

An impairment charge of £Nil (2017: £27.8m) has been recognised in the year.

For all other investments, the recoverable amount exceeded the respective carrying value and no impairment was necessary for the year ended 31 December 2018.

Details of the subsidiaries as at 31 December 2018 are as follows. The registered office is 4th Floor, 1 Minster Court, Mincing Lane, London EC3R 7AA:

Name of subsidiaries	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2018	2017
AIUA Holdings Limited(3)	In Liquidation	England	100%	100%
Broker Network Holdings Limited (1)	Holding company	England	100%	100%
Cullum Capital Ventures Limited (and subsidiaries)	Holding company	England	100%	100%
Duncan Pocock (Holdings) Limited (3)	In Liquidation	England	100%	100%
Eclipse Park Acquisitions Limited (3)	In Liquidation	England	100%	100%
JW Group Limited (2)	In Liquidation	England	100%	100%
Towergate Chase Parkinson Limited(3)	In Liquidation	England	100%	100%

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

12 Investments in subsidiaries undertakings (continued)

Name of subsidiaries	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2018	2017
Towergate Financial (Group) Limited (and subsidiaries)	Holding company	England	85.1%	85.1%
Towergate Risk Solutions Limited (and subsidiaries)	Holding company	England	100%	100%
Towergate Wilsons Limited (3)	In Liquidation	England	100%	100%
The Folgate Partnership Limited(3)	In Liquidation	England	100%	100%

The Company holds Ordinary shares in all of the above investments. No other class of share is held.

(1) Registered office address is Hexagon House Grimbald Crag Close, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ

(2) Registered office address is Saltire Court, 20 Castle Terrace, Edinburgh, EH6 7YD

(3) Registered office address is 15 Canada Square, London, E14 5GL

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

13 Investments in associate

Investment in associate

£ 000

Cost or valuation

At 1 January 2018

5,356

Disposals

(5,356)

At 31 December 2018

-

Provision for impairment

At 1 January 2018

-

Provision

-

At 31 December 2018

-

Carrying amount

At 31 December 2018

-

At 31 December 2017

5,356

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

13 Investments in associate (continued)

On 1 July 2016 the Company acquired a 19.9% share in Bravo Investment Holdings Limited (Bravo), incorporated and based in the UK. Just prior to this, Bravo acquired The Broker Network Limited and Countrywide Insurance Management Limited from the Group.

There is a shareholder agreement in place in respect of the Company's holding in Bravo which includes certain minority protection rights, rights in respect of share transfers and a long term option arrangement over the remaining shares in Bravo. This option is exercisable by the Company at or above market value and therefore the associated derivative has no fair value. The registered office of Bravo Investment Holdings Limited is Devonshire House, 4th Floor, 1 Mayfair Place, London, W1J 8AJ.

The Company's interest in Bravo was disposed of on 19 January 2018. The Company received £30.0m cash from Nevada Investment Holdings 2 Limited in respect of the sale of its 19.9% shareholding in Bravo. Nevada Investments Holdings 2 Limited is a related party of the Group due to its common shareholders. The cash received plus an additional £1.2m is subject to a contingent clawback clause mechanism based on the equity value at 1 January 2020. On disposal of the associate £10.0m of the cash received was recognised as consideration with the balance recorded as deferred proceeds resulting in a gain on disposal of £4.6m.

When the Company owned 19.9% of Bravo there was an agreement in place in respect of the equity of Bravo which included certain minority protection rights, rights in respect of share transfers and a long-term option arrangement over the remaining shares in Bravo. This option was exercisable by the Company at or above market value and therefore the associated derivative had no fair value. This agreement was retained with minor amendments after the disposal of the associate.

Details of the associate as at 31 December 2018 are as follows:

Name of associate	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2018	2017
Bravo Investment Holdings Limited +	Holding Company	England	0%	19.9%

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

13 Investments in associate (continued)

Summarised financial information

Please find below summarised unaudited financial information in respect of the Company's associate:

	At 31 December 2018	At 31 December 2017
	£ 000	£ 000
Non-current assets	-	66,411
Current assets	-	38,875
Non-current liabilities	-	(68,470)
Current liabilities	-	(25,266)
Equity attributable to the owners of the Company	-	11,550
	For the period 1 January 2018 to 31 December 2018	For the period 1 January 2017 to 31 December 2017
	£ 000	£ 000
Revenue	-	23,151
Loss after tax	-	(5,722)

14 Disposals

On 22 March 2016 the Company agreed to sell its holding in Countrywide Insurance Management Limited to funds advised by HPS, the majority shareholder of the Ardonagh Group. The transaction completed on the 1 July 2016. The consideration was satisfied in part by the allotment of approximately 19.9% of the shares in the acquisition vehicle, Bravo Investment Holdings Limited, and partially through initial cash consideration. As part of the sale a contingent consideration of up to £17.2m could be receivable if certain events and performance measures occurred in the period to 30 September 2017. During 2017 the Company recorded a £12.4m contingent consideration asset in relation to the Bravo sale. This was received in January 2018.

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

15 Trade and other receivables

	2018	2017
	£ 000	£ 000
Receivables from other group companies	921,701	264,937
Loans to other group companies	315,112	180,771
Accrued income	3	3
Prepayments	9,421	2,272
Other receivables	29,431	22,684
Total current trade and other receivables	1,275,668	470,667

Receivables from related parties are stated after deducting a bad debt provision of £40.7m (2017: £35.4m).

There are no balances included in trade and other receivables that are falling due after more than one year which require separate disclosure.

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

16 Cash and cash equivalents

	2018	2017
	£ 000	£ 000
Cash at bank	5,819	12,274

Cash at bank includes £0.6m (2017: £0.1m) which are considered restricted and not available to pay the general debts of the Company.

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

17 Share capital

The A ordinary shares have attached to them full voting, dividend and capital (including on winding up) rights. They do not confer any rights of redemption.

The B deferred share has attached to it the right to receive a fixed, cumulative, preferential dividend from the company in any amount of 0.000001% of the nominal value of the B deferred share per annum on a return of capital (including winding up). The holder of the B Deferred share has the right to receive £0.01 per B Deferred share (should more be issued) for each £0.10 received by a holder of A Ordinary shares per A Ordinary share, provided that each holder of an A Ordinary share receives the full nominal amount paid up on each A Ordinary share held and a further £1,000,000 per A Ordinary share held. The B Deferred share does not have voting rights or the right to receive notice of general meetings of the company attached to it, the B Deferred share does not confer any rights of redemption.

New shares allotted

During the year 15,101,317,514 Ordinary 'A' shares having an aggregate nominal value of £151,013,175 were allotted for an aggregate consideration of £151,013,175.

The new shares were issued to Ardonagh Finco plc to facilitate the acquisition and financing transaction which completed in December 2018.

Allotted, called up and fully paid shares

	2018		2017	
	No.	£000	No.	£000
Ordinary A of £0.01 each	33,178,460,269	331,785	18,077,142,755	180,771
Deferred B of £1,407,307,331 each	1	1,407,307	1	1,407,307
	<u>33,178,460,270</u>	<u>1,739,092</u>	<u>18,077,142,756</u>	<u>1,588,078</u>

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

18 Loans and borrowings

	2018 £ 000	2017 £ 000
Current loans and borrowings		
Interest payable on loan notes	40,526	29,729
Subordinated loans	122,000	122,000
	<u>162,526</u>	<u>151,729</u>

On 2 April 2015 the Company entered into a subordinated loan agreement with TIG Finco Plc, an immediate parent of the Company. The loan bears interest at a fixed rate of 8.85% per annum and the principal amount (including any interest accrued) is repayable on demand.

19 Obligations under leases and hire purchase contracts

Operating leases

The total future value of minimum lease payments is as follows:

	2018 £ 000	2017 £ 000
Within one year	260	328
In two to five years	273	657
In over five years	8	-
	<u>541</u>	<u>985</u>

20 Pension and other schemes

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £0.3m (2017: £0.2m).

Contributions totalling £0.8m (2017: £0.7m) were payable to the scheme at the end of the year and are included in creditors.

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

21 Trade and other payables

Non-current liabilities

	2018	2017
	£ 000	£ 000
Deferred consideration	<u>16,750</u>	<u>-</u>

Current liabilities

	2018	2017
	£ 000	£ 000
Accrued expenses	18,396	13,522
Amounts due to other group companies	580,604	510,871
Social security and other taxes	4,726	7,406
Outstanding defined contribution pension costs	881	741
Other payables	5,103	2,024
Contingent consideration	310	310
Deferred income	<u>42</u>	<u>-</u>
	<u>610,062</u>	<u>534,874</u>

The balances due to other group companies are unsecured, interest free and repayable on demand.

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

22 Commitments

Guarantees

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

On 20 June 2017, Ardonagh Midco 3 plc issued £400.0m of 8.375% Senior Secured Notes and USD520.0m of 8.625% Senior Secured Notes. 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 (ETV) products. See note 32 for further information relating to ETV redress liabilities. While the Letter of Credit ancillary facility remains in place the commitments under the RCF that may actually be utilized are contractually limited to £90.0m (excluding the Letter of Credit ancillary facility). Permissible RCF drawings are further limited by the terms of the Group's overall credit facility arrangement. The RCF facility had not been utilised at 31 December 2018 (31 December 2017: £30.0m utilised).

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)	Lunar 101 Limited
Ardonagh Finco plc	Morgan Law Limited
Nevada Investment Holdings 5 Limited	Paymentshield Group Holdings Limited
Nevada Investment Holdings 6 Limited	Paymentshield Holdings Limited
Nevada Investment Holdings 7 Limited	Paymentshield Limited
Ardonagh Midco 2 plc	Paymentshield Services Limited
Nevada Investments Holdings Limited	Ardonagh Services Limited
PFIH Limited	Towergate Risk Solutions Limited

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

22 Commitments (continued)

Nevada InvestorCo Limited	Towergate Underwriting Group Limited
Nevada Investments Topco Limited	URIS Group Limited
Price Forbes Holdings Limited	URIS Central Administration Limited
Price Forbes & Partners Limited	Millennium Insurance Brokers Limited
Nevada Investments 1 Limited	URIS Topco Limited
Nevada Investments 2 Limited	Chase Templeton Group Limited
Nevada Investments 3 Limited	Chase Templeton Holdings Limited
Nevada Investments 4 Limited	Chase Templeton Limited
Nevada Investments 5 Limited	Towergate Insurance Broking Holdings Limited
Nevada Investments 6 Limited	Ardonagh Specialty Holdings Limited
Nevada Investments 7 Limited	Swinton Group Limited
Arista Insurance Limited	Swinton (Holdings) Limited
Bishopsgate Insurance Brokers Limited	Swinton Properties Limited
Broker Network Holdings Limited	Atlanta Investment Holdings Limited
CCV Risk Solutions Limited	Atlanta Investment Holdings A Limited
Cullum Capital Ventures Limited	Autonet Insurance Services Limited
Four Counties Insurance Brokers Limited	Carole Nash Insurance Consultants Limited
Geo Specialty Group Holdings Limited	KDB Medicals Limited
Geo Underwriting Services Limited	

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

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

23 Provisions

	E & O	Onerous lease	Dilapidations	Other provisions	Total
	£ 000	£ 000	£ 000	£ 000	£ 000
At 1 January 2018	3,483	-	97	181	3,761
Debit / (credit) to Statement of Comprehensive Income	3,245	324	-	665	4,234
Provisions used	(2,204)	(14)	-	(128)	(2,346)
Unwinding of discounted amount	-	5	8	-	13
At 31 December 2018	4,524	315	105	718	5,662
Non-current liabilities	-	160	103	-	263
Current liabilities	4,524	155	2	718	5,399

Errors and omissions (E & O) provision - In the normal course of business the Group may receive claims in respect of errors and omissions. A provision has been made in respect of outstanding errors and omissions claims.

Dilapidations provision - provides for the estimated amounts payable for dilapidations on each property at the end of the lease term.

Other provisions relate to obligations from restructuring the finance function.

Over 1 year provisions are discounted at the rate of 1.9%. The finance charge relating to unwinding of the discount has been charged to the income statement.

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

24 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.

Business was also conducted, on an arm's length basis, within The Ardonagh Group Limited group of companies. The table below shows the transactions and balances with entities that form part of the group but are not wholly owned by the Ardonagh Group Limited.

	2018	2018	2018	2017	2017	2017
			(Due to)			(Due to)
		Received	/receivable		Received	/receivable
	Paid to	from	from at year	Paid to	from	from
	£ 000	£ 000	end	£ 000	£ 000	at year end
			£ 000			£ 000
Towergate Financial (London) Limited*	-	-	365	-	-	365
Towergate Financial (West) Limited	641	-	(1,958)	486	-	(2,599)
Towergate Financial (North) Limited	73	-	(2,156)	1,537	-	(2,229)
Towergate Financial (Scotland) Limited	-	-	(8,889)	1,007	-	(8,889)
Towergate Financial (East) Intermediate Limited *	-	-	2,959	-	-	2,959
Towergate Financial (East) Limited	508	-	(6,100)	915	-	(6,608)
Towergate Financial (West) Holdings Limited *	-	-	4,124	-	-	4,124
Towergate Financial (Scotland) Holdings Limited *	-	-	2,617	-	-	2,617
Towergate Financial (East) Holdings Limited *	-	-	6,731	-	-	6,731
Towergate Financial (North) Holdings Limited *	-	-	5,997	-	-	5,997
Towergate Financial (Group) Limited *	5,330	-	17,975	3,881	-	12,645
Oyster Risk Solutions Limited	2,734	-	16,634	1,779	-	13,900
Oyster Property Insurance Specialists Limited	-	-	1,482	-	71	1,482

Ardonagh Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

24 Related party transactions (continued)

Business was also conducted, on an arm's length basis, within The Ardonagh Group Limited group of companies. The table below shows the transactions and balances with entities that form part of the group but are not wholly owned by The Ardonagh Group Limited.

* In 2018, the Company made a provision of £5.3m, totalling £40.7m, against intercompany debt from the Towergate Financial Group companies as disclosed in Note 5.

25 Ultimate parent company

The Group's majority shareholder and controlling party is HPS Investment Partners LLC. At 31 December 2018, the ultimate parent company was The Ardonagh Group Limited (incorporated in Jersey, registered office address 3rd Floor, 44 Esplanade, St Helier, Jersey, JE4 9WG). The Ardonagh Group Limited is the largest group in which the results are consolidated. The parent company of the smallest group, which includes the Company and for which group financial statements are prepared, is Ardonagh Midco 3 plc, a company incorporated in Great Britain. Financial statements for The Ardonagh Group Limited and Ardonagh Midco 3 plc are available on request from:

4th Floor
1 Minster Court
Mincing Lane
London
EC3R 7AA