Registration number: 07476462

Ardonagh Services Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019

(Previously named Towergate Insurance Limited)

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Ardonagh Services Limited

Contents

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

Ardonagh Services Limited

Strategic Report for the Year Ended 31 December 2019

The directors present their Strategic Report for the year ended 31 December 2019 for Ardonagh Services Limited ("the Company" or "ASL"). 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 £42.4m (2018: £167.3m) for the year and turnover of £28.1m (2018: £49.9m). At 31 December 2019 the Company had net current assets of £462.7m (2018: £506.1m) and net assets of £602.2m (2018: £625.4m).

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

Section 172 Duty

The Directors take seriously their obligations under s.172 (1) (a)-(f) of the Companies Act 2006 ("S.172 Duties") to act in a way they consider, in good faith, would be the most likely to promote the success of the Company for the benefit of its members as a whole and in doing so, have regard to; the likely consequences of any decision in the long-term, the interests of the Company's employees, the need to foster the company's business relationships with suppliers, customers and others, the impact of the Company's operations on the community and the environment, the desirability of the Company maintaining a reputation for high standards of business conduct and the need to act fairly as between members of the Company.

The Board of The Ardonagh Group Limited ("Group Board") have voluntarily adopted the Wates Corporate Governance Principles for Large Private Companies and an explanation of how the Group applies the Wates Principles are set out in the consolidated Group Annual Report.

The Board considers the long-term consequences of its decisions and these are guided by a 5-year business plan in respect to the Ardonagh Portfolio Services business, Group risk appetite and Group risk framework, which seeks to ensure that the business plan is executed with due regard to our stakeholders and maintaining our high standards of business conduct. The Board have identified the following as our key stakeholders and how the Board engages with each stakeholder is set out below; employees, the Financial Conduct Authority ("FCA"), insurers and suppliers.

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

As a Board we believe in the importance of communication and engagement with our employees. Our Businesses all undertake regular communication and other engagement activities. The first Group-wide employee pulse survey was undertaken in Q4 2019 which achieved an excellent 73% response rate from over 6,000 employees across the Group. The results have been promising with an overall positivity score of 69.44%. In January 2020 we considered the pulse survey scores across the businesses and the actions to be taken as a result of the survey. Management have identified the following eight priorities to drive positive employee experiences across the Group and in turn, ensure the successful delivery of business strategy, strategic priorities and great client outcomes.

Our People Commitments:

• Attract and retain the best people by providing a high-performing, collaborative and flexible working environment, where people feel engaged with the Group and valued for their contribution
• Recruit people using fair and professional selection methods
• Provide a good onboarding experience and ongoing career support to give people the best possible start and return to work following periods of extended leave
• Develop the personal and professional skills and knowledge of all employees throughout their careers, helping them achieve their full potential within the Group
• Recognise achievements at all levels and provide opportunities for all our people to progress their career
• Reward people fairly within transparent and appropriate remuneration frameworks; remaining competitive and allowing for changing external factors
• Build a supportive culture which is inclusive, positive and fair; where opportunities are open to all, people can lead and are led effectively, and change is well managed
• Provide an environment where health, wellbeing and the importance of community are actively promoted, where people can bring their whole self to work.

The survey has highlighted a number of areas that evidence a strong baseline culture and an indication of the calibre of our people, which is increasingly becoming recognised by the industry, with Ardonagh being voted "Best of the Best Broker" by 3,000 leading insurance professionals at the British Insurance Awards in July 2019. Over 300 employees attended our 2019 annual employee "Spotlight" award event in March 2019 that celebrates and rewards excellent individual and team performances in delivering excellent service to our clients.

Customers
Seeking good customer outcomes is central to the success of the business. Put simply, it's what we always seek to achieve. The Board keeps track of how our customers perceive our products and services and exercises oversight to ensure management review products and services to ensure they continue to meet the needs of our customers.

Regulatory relationships
The FCA are a key stakeholder and the Board prioritise positive, open and transparent engagement with the FCA.

Insurers
Our insurance partners are fundamental to the success of the business. The Business regularly meets with our key insurance partners to discuss performance and ways in which we can enhance cover for customers. The Ardonagh Portfolio Solutions business established in 2019 and will support our businesses to foster deeper and more long-term relationships across a more focussed number of insurers that will enable us to offer enhanced products and services to our customers.

Our Suppliers
Our key suppliers are defined by the Group Outsourcing and Procurement Policy which ensures that all key suppliers are identified and are subject to appropriate monitoring and engagement – the level of which is dependent on the size and critical nature of the services supplied to the Group. We also have minimum due diligence standards to be performed on suppliers before being engaged, which includes a requirement that suppliers have CSR and modern slavery policies that are at least as stringent as our own.

Community and sustainability
The Group's UK registered charity, Ardonagh Community Trust (ACT) celebrated two years in October 2019 and its activities that harnesses the collective power of The Ardonagh Group to help local communities become stronger, better and brighter are set out in the Group Consolidated accounts.

The Board has also considered environmental impact of its operations. Our commitment to minimising the impact of our activities on the environment is evidenced through:

• minimising waste by evaluating operations and ensuring they are as efficient as possible;
• actively promoting the importance of recycling both internally, where possible, and amongst our suppliers;
• encouraging alternative ways of travelling to work, e.g. car sharing, cycle to work, to reduce carbon emissions;
• using motion sensitive lighting in offices, where possible, to reduce wasted energy;
• apply technological developments to reduce staff travel thereby reducing emissions.

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

The unprecedented and rapidly evolving nature of the global COVID-19 pandemic (including the short-term and long-term effects thereof) creates unprecedented and extraordinary uncertainties for most businesses including the Ardonagh group and the Company. Consideration of the financial risk and future impact can be found in the Strategic Report within the 'Risk management' section on page 5 and the 'Going concern' disclosure in note 2.

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.

During the year, the Company recognised a gain of £0.7m on its disposal of investment in Bravo Investment Holdings Limited "Bravo" as discussed in note 14.

Non-financial key performance indicators include staffing levels which have reduced by 38% (2018: 11%) during the year, mainly due to the Business Transformation Project primarily targeting reduction in headcount.

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 financial statements.

Principal risks and uncertainties (continued)

The 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.

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 Group's operating segments, with measures to manage employee absences, access to the wider network of all offices, the efficiency and stability of the Group'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. Ardonagh is highly diversified and not materially exposed to a single carrier, customer or market sector.

The Group 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.

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.

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.

Ardonagh Services Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

Principal risks and uncertainties (continued)

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.

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 31st December 2020.
We continue to believe that the direct impact on the Company and its subsidiaries 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 Company and its subsidiaries operate, 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 Company and its subsidiaries continues to mitigate the risk of a general decline in economic conditions.

Approved by the Board on 24 April 2020 and signed on its behalf by:

D Cougill
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

D Cougill

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)

J I Tiner (resigned 1 April 2019)

C Bouch (resigned 1 April 2019)

M Y A Boulanger (resigned 1 April 2019)

A Cusaro (resigned 1 April 2019)

M W Raino (resigned 1 April 2019)

Future developments
Details of future developments can be found in the Strategic Report within the 'Outlook' section on page 4.

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 5.

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).

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

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.

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.

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.

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. Therefore, 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.

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 24 April 2020 and signed on its behalf by:

D Cougill
Director

Ardonagh Services Limited

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including 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;
- state whether FRS 101 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 to disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 2019 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" (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 Ardonagh Services 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 directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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 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 and the Directors' Report.

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

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.

Claire Clough

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

24 April 2020

Ardonagh Services Limited

Statement of Comprehensive Income for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Turnover	4	28,147	49,907
Salaries and associated costs	7	(25,469)	(33,308)
Administrative expenses		(54,478)	(46,680)
Depreciation, amortisation and impairment of non-financial assets	5	(9,732)	(4,239)
Operating loss	5	(61,532)	(34,320)
Gain/(loss) on disposal of investments	14	650	(140,232)
Adjustment to fair value of contingent consideration		311	-
Impairment - investment		(9)	-
Finance income	6	29,600	18,096
Finance costs		(11,466)	(10,828)
Net finance income	6	18,134	7,268
Loss before tax		(42,446)	(167,284)
Tax credit	9	19,013	3,946
Loss for the year		(23,433)	(163,338)

The above results were derived from continuing operations.

Ardonagh Services Limited

(Registration number: 07476462)
Statement of Financial Position as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Non-current assets			
Intangible assets	10	9,688	15,470
Property, plant and equipment	11	4,963	5,074
Right of use assets	12	710	-
Investments in subsidiaries undertakings	13	117,491	113,950
Deferred tax assets	9	13,646	1,833
		146,498	136,327
Current assets			
Cash and cash equivalents	16	9,378	5,819
Trade and other receivables	15	1,239,179	1,275,668
Current tax assets	9	-	2,559
		1,248,557	1,284,046
Current liabilities			
Trade and other payables	18	609,585	610,062
Borrowings	17	173,323	162,526
Lease liabilities	12	1,949	-
Tax liabilities	9	332	-
Provisions	21	681	5,399
Current liabilities		785,870	777,987
Net current assets		462,687	506,059
Non-current liabilities			
Lease liabilities	12	3,490	-
Provisions	21	137	263
Trade and other payables	18	3,381	16,750
		7,008	17,013
Net assets		602,177	625,373

The notes on pages 18 to 55 form an integral part of these financial statements.

Ardonagh Services Limited

(Registration number: 07476462)
Statement of Financial Position as at 31 December 2019 (continued)

	Note	2019 £ 000	2018 £ 000
Capital and reserves			
Called up share capital	20	1,739,092	1,739,092
Share premium reserve		117,980	117,980
Capital contribution		33,291	33,054
Retained losses		(1,288,186)	(1,264,753)
Total equity		602,177	625,373

Approved by the Board on 24 April 2020 and signed on its behalf by:

....
D Cougill
Director

Ardonagh Services Limited

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

	Share capital £ 000	Share premium £ 000	Capital contribution £ 000	Retained losses £ 000	Total £ 000
At 1 January 2019	1,739,092	117,980	33,054	(1,264,753)	625,373
Net loss for the year	-	-	-	(23,433)	(23,433)
Capital contribution - share-based payment *	-	-	237	-	237
At 31 December 2019	1,739,092	117,980	33,291	(1,288,186)	602,177

*The Company subsumed its share-based payment reserve within capital contribution reserve. The amount subsumed is £0.2m (2018: £0.2m).

	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
Net loss for the year	-	-	-	(163,338)	(163,338)
New share capital subscribed	151,014	-	-	-	151,014
Capital contribution - share-based payment *	-	-	192	-	192
At 31 December 2018	1,739,092	117,980	33,054	(1,264,753)	625,373

Ardonagh Services 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 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 2019 were authorised for issue by the Board on 24 April 2020 and the Statement of Financial Position was signed on the board's behalf by D Cougill.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates
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.

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 financial statements, and its results are included in the consolidated financial stetements of its ultimate parent.

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 financial statements have been prepared under the historical cost convention, as modified to use a different measurement basis where necessary to comply with FRS 101.

FRS 101 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 to 52 of IFRS 2 Share-based Payment concerning details of the number and weighted average exercise price of share options and how the fair value of goods or services received was determined;

2 Accounting policies (continued)

- the requirements of IFRS 7 Financial Instruments: Disclosures and of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to provide comparative year 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;
- 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 33.

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.

Going concern

The financial statements of the Company have been prepared on a going concern basis. At 31 December 2019 the Company had net assets of £602.2m (2018: £625.4m) and net current assets of £462.7m (2018: £506.1m). The net current assets include amounts receivable from related parties of £870.7m (2018: £921.7m), and amounts due to related parties of £570.5m (2018: £580.6m). The Company reported an operating loss before tax of £42.4m (2018: £167.3m). 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 believe 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 reaching their view on the preparation of the Company's financial statements on a going concern basis, the directors have considered the going concern position of the Group and its ability to meet its obligations as and when they fall due. This assessment of the Group's position included:

2 Accounting policies (continued)

- The current capital structure and liquidity of the Group and its base case and stressed cash flow forecasts over the calendar years 2020 and 2021.
- The principal risks facing the Group, including the potential financial and operational impacts of covid-19, and its systems of risk management and internal control.
- Improved operating cashflow during 2019.

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

- The Group continues to benefit from the Revolving Credit Facility (RCF) of £120m. With effect from 1 December 2019, the contractual limitation on the amount that may be utilized of the Group's RCF was removed. As at 31 December 2019, the RCF facility capacity was £120m and undrawn. On 18 March 2020 the Group's RCF facility was extended to £170m, of which £70m was drawn. Permissible RCF drawings are limited by the Group's credit facility basket.
- Following the commencement of the main settlement of the ETV liabilities during the third quarter of 2019, the Group completes the majority of the settlement by the end of 2020.

Key stress scenarios that the directors have considered include cumulative stresses to the base plan of a net reduction in cashflow of £123m in 2020 and further reductions in 2021. This results from:

- A sustained 20% shortfall in base case projected income in 2020 and 15% in 2021.
- A 10% deterioration in base case cash conversion rates over and above the fall in income.
- A 15% deterioration in the quantum and acceleration of the settlement of the ETV liabilities compared to the base case.
- Mitigating actions within management control including delayed capital expenditure, a reduction in discretionary spend and some reduction in employee headcount and remuneration.

Our stress testing indicates that revenues would need to decline by up to 30% per month over the base case in the next 7 quarters from the second quarter of 2020, assuming full reduction in relative cost base does not reduce at the same speed and without other mitigating items actioned as noted above to reach our liquidity limits. Although Covid-19 developments are fluid, these stresses would be expected to exceed the impacts from Covid-19. Under the stressed scenarios, the group has sufficient liquidity.

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

- Business Continuity Plans are in place across each of the Group's operating segments, with measures to manage employee absences, access to the wider network of over 80 offices, the efficiency and stability of the Group'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. Ardonagh is highly diversified and not materially exposed to a single carrier, customer or market sector
- Although Covid-19 developments are fluid, the stress testing demonstrates the Group's financial resilience and operating flexibility.

2 Accounting policies (continued)

Following the assessment of the Company's and Group's financial position, and its ability to meet its obligations as and when they fall due, including the potential financial implications of the Covid-19 pandemic included in stress tests, and the wider operational consequences and ramifications of the pandemic, the directors are not aware of any material uncertainties that cast significant doubt on the Company's ability to continue as a going concern. 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 year beginning on or after that date.

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 year 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.

2 Accounting policies (continued)

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 year 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.

The Company does not undertake arrangements as a lessor other than as a sublessor, but sublessor arrangements are not material to the Company. IFRS 16 did not therefore impact lessor accounting by the Company.

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.

2 Accounting policies (continued)

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:

	£ 000
Assets	
Right of use assets	7,868
Trade and other receivables	(719)
	7,149
Liabilities	
Lease liabilities	(14,805)
Trade and other payables	6,817
Provisions	839
	(7,149)

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%.

The lease liabilities at 1 January 2019 can be reconciled to the operating lease commitments as at 31 December 2018, as follows:

2 Accounting policies (continued)

	£000
Operating lease commitments at 31 December 2018	541
Effect of discounting future lease payments	(137)
	404
Differences in lease term	(10)
Differences in lease population	14,462
Differences in lease payments	(24)
Other differences	(27)
Lease liability at 1 January 2019	**14,805**

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.

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 year 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.

2 Accounting policies (continued)

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.

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.

(c) Carrier Management

The Company receives income from certain carriers in respect of strategic carrier management. The Company satisfies its performance obligation to the carriers over time and thus recognises revenue over time. The Carrier Management Income is shown as turnover in the Statement of Comprehensive Income.

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 year 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.

2 Accounting policies (continued)

Intangible assets

Trademarks, patents and licences

Brand intangible assets are recognised on a business combination because they are separable or arise from contractual or other legal rights. Their fair value has been calculated as the sum of the present value of projected royalty payments that would be paid to licence the right to use the brand. These assets are amortised on a straight-line basis over their estimated useful lives of 5 years, which considers the Company's track record of retaining brands for a period and experience of the insurance broking market.

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.

Internally-generated computer software and assets under construction

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

An internally-generated intangible asset arising from the 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 the Statement of Comprehensive Income in the year when it is incurred.

The fair value of internally-generated computer software acquired on a business combination is calculated by reference to the current cost to recreate the software.

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 4 years.

2 Accounting policies (continued)

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

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

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

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 equipment	25% per annum straight line

2 Accounting policies (continued)

Investments in subsidiary undertakings
A subsidiary is an entity over which the Company has control. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Investments in subsidiaries are accounted for at cost less, where appropriate, impairment.

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.

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 they 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 Statement of Comprehensive Income.

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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the Statement of Comprehensive Income. On derecognition of an investment in an equity instrument which the Company has elected on initial recognition to measure at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to the Statement of Comprehensive Income, but is transferred to retained earnings.

2 Accounting policies (continued)

Financial liabilities

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. The difference between the carrying value of the original financial liability and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

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.

Classification and subsequent measurement of financial assets

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).

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on their classification.

Financial assets classified as amortised cost

Financial assets that meet both of the following conditions are classified and 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.

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, this is Trade and other receivables

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.

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.

2 Accounting policies (continued)

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.

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.

Financial liabilities at fair value through the profit or loss
Financial liabilities not measured at amortised cost are classified and measured at FVTPL when the financial liability is contingent consideration.
Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities.

Finance income and costs policy
The Company's finance income and finance costs include:
• interest income
• interest expense
• unwind of discount on provisions and lease liabilities

Interest income and expense are recognised using the effective interest method for debt instruments measured subsequently at amortised cost.

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. In the year the Company discount rate used to calculate the present value of provisions was amended to reflect the risk-free rate.

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 year the Company 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.

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.

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.

2 Accounting policies (continued)

Employee benefits

Pension costs

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and 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 year.

For defined contribution plans contributions are paid to publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

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.

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% as described in note 2.

Impairment of trade and other receivables

The Company makes an estimate of the recoverable value of trade receivables and other debtors including intercompany receivables. 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. See note 15 for the net carrying amount of the receivables and associated impairment provision.

The bad debt provision amounted to £0.2m as at 31 December 2019 (2018 restated: £41.0m).

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

Impairment of investments in subsidiaries
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.

Further details of the annual impairment test, and of the assumptions made, are set out in note 13.

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. See note 9 for details of the deferred tax assets recognised during the year.

The deferred tax asset as at 31 December 2019 is £13.6m (31 December 2018 restated: £1.8m).

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 14. 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.

4 Turnover

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

	2019 £ 000	2018 £ 000
Other income	167	213
Carrier management	508	-
Management charge	27,472	49,694
	28,147	49,907

Turnover consists entirely of income generated in the United Kingdom.

The management charge noted in the table above includes central costs- IT, legal, HR and other central costs incurred by the Company and recharged to fellow group subsidiaries.

5 Operating loss

Arrived at after charging/(crediting):

	2019 £ 000	2018 £ 000
Depreciation expense	2,872	2,454
IFRS 16 Depreciation expense	1,440	-
Amortisation and other amounts written off intangibles	5,420	1,785
Auditor's remuneration: audit of these financial statements	43	37
Intercompany bad debt provision	170	5,331
Restructuring obligations	263	794
Profit on disposal of property, plant and equipment	(1,994)	-
Loss on disposal of intangible assets	584	-

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 2019, the Company made an adjustment to a provision against intercompany debt due from the Towergate Financial Group of £0.2m (2018: £5.3m), reflecting the movement in the Towergate Financial intercompany balances in the period. These balances are deemed unrecoverable and hence have been fully impaired.

6 Finance income and finance costs

	2019 £ 000	2018 £ 000
Finance income		
Interest income on bank deposits	1,217	824
Interest receivable from related parties	28,383	17,272
Total finance income	29,600	18,096
Finance costs		
Interest expense on loans and borrowings	(11,466)	(10,828)
Net finance income	18,134	7,268

As at 31 December 2019 the Company was due a total of £46.9m (2018: £25.5m) of interest on loans to other group undertakings. The amounts due were as follows: £6.5m (2018: £3.9m) Nevada Investments 4 Limited; £9.3m (2018: £5.6m) Nevada Investments 7 Limited; £7.3m (2018: £4.4m) Nevada InvestorCo Limited; £11.5m (2018: £6.9m) Nevada Investments 3 Limited; £0.3m (2018: £0.5m) Price Forbes Holdings Limited; £7.0m (2018: £4.2m) Lunar 101 Limited; and £5.0m (2018: Nil) Atlanta Investment Holdings B Limited.

In the year ended 31 December 2019, the interest expense on the £122.0m subordinated loan, charged at 8.85% per annum, totalled £10.8m (2018: £10.8m).

The remaining balance of £0.7m within finance cost represents mainly the unwinding of discount calculated on provisions (note 21) and ROU assets (note 12).

7 Staff costs

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

	2019 £ 000	2018 £ 000
Wages and salaries	22,076	27,731
Social security costs	2,853	4,053
Pension costs, defined contribution scheme	431	341
Redundancy costs	109	1,183
	25,469	33,308

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

7 Staff costs (continued)

	2019 No.	2018 No.
Administration	228	367
Sales	3	14
Management	27	36
	258	417

Following the Business Transformation discussed in the Strategic Report, the Company no longer incurs payroll cost on behalf of the group segments and recharges them. Therefore, the staff cost of £22.1m, reported in the 2019 Statement of Comprehensive Income, represents the Company expense.

In the year ended 31 December 2018, the gross cost incurred by the Company before recharges was £27.7m of which £8.7m was recharged. The staff cost remaining in the Company and charged to the Statement of Comprehensive Income was £24.6m.

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 Income tax

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

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax	7,466	2,567
UK corporation tax adjustment to prior periods	(266)	(454)
	7,200	2,113
Deferred taxation		
Arising from origination and reversal of temporary differences	11,954	1,833
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(141)	-
Total deferred taxation	11,813	1,833
Tax credit in the Statement of Comprehensive Income	19,013	3,946

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Loss before tax	(42,446)	(167,284)
Corporation tax at standard rate of 19% (2018: 19%)	8,065	31,784
Expenses not deductible for tax purposes	309	(1,010)
Deferred tax credit from unrecognised temporary difference from a prior period	11,277	972
Tax expense relating to changes in tax rates or laws	(80)	(101)
Adjustments to tax charge in respect of previous periods - current tax	(266)	(454)
Increase from effect of capital allowances depreciation	(751)	(2)
Non-taxable gains on disposal of investments	-	(26,643)
Adjustments to tax charge in respect of previous periods - deferred tax	(141)	-
Group relief (surrendered)/ claimed for nil consideration	600	(600)
Total tax credit	19,013	3,946

9 Income tax (continued)

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 asset would have been £1.6m higher.

Deferred tax

2019	Asset £ 000
Tax losses carry-forwards	12,098
Provisions	-
Accelerated tax depreciation	1,548
	13,646

2018	Asset £ 000
Tax losses carry-forwards	1,618
Provisions	215
Accelerated tax depreciation	-
	1,833

Deferred tax movement during the year:

	At 1 January 2019 £ 000	Recognised in income £ 000	At 31 December 2019 £ 000
Tax losses carry-forwards	1,618	10,480	12,098
Provisions	215	(215)	-
Accelerated tax depreciation	-	1,548	1,548
Net tax assets	1,833	11,813	13,646

Deferred tax movement during the prior year:

9 Income tax (continued)

	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	-	1,833	1,833

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 asset would have been £1.6m higher.

In addition to the amount disclosed above, the Company has potential deferred tax assets at 31 December 2019 of £7.7m (2018: £18.9m) in relation to fixed assets, short term timing differences and losses totalling £45.1m (2018: £111.4m). 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.

10 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 2019	46	381	11,754	11,856	24,037
Additions	-	-	1,083	68	1,151
Disposals	-	(340)	(111)	(3,114)	(3,565)
Transfer between classes	-	2,281	(11,266)	8,672	(313)
Intercompany ad-hoc additions	-	2,201	1,202	1,518	4,921
Intercompany ad-hoc disposals	-	-	(2,633)	-	(2,633)
At 31 December 2019	46	4,523	29	19,000	23,598
Amortisation					
At 1 January 2019	46	381	-	8,140	8,567
Charge for the year	-	600	-	4,820	5,420
Amortisation eliminated on disposals	-	(339)	-	(2,642)	(2,981)
Intercompany ad-hoc additions	-	1,965	-	939	2,904
At 31 December 2019	46	2,607	-	11,257	13,910
Carrying amount					
At 31 December 2019	-	1,916	29	7,743	9,688
At 31 December 2018	-	-	11,754	3,716	15,470

11 Property, plant and equipment

	Leasehold improvements £ 000	Fixtures and fittings £ 000	Motor vehicles £ 000	Assets under construction £ 000	Computer equipment £ 000	Furniture and office equipment £000	Total £ 000
Cost or valuation							
At 1 January 2019	124	146	52	13	10,141	137	10,613
Additions	527	-	-	-	266	17	810
Disposals	(372)	(29)	(52)	(30)	(462)	(14)	(959)
Transfers between classes	-	-	-	(114)	427	-	313
Intercompany ad-hoc transfers	609	940	-	131	5,363	669	7,712
At 31 December 2019	888	1,057	-	-	15,735	809	18,489
Depreciation							
At 1 January 2019	23	70	52	-	5,293	101	5,539
Charge for the year	41	92	-	-	2,673	66	2,872
Disposals	(228)	(8)	(52)	-	(452)	(14)	(754)
Impairment	-	-	-	-	-	-	-
Intercompany ad-hoc transfers	327	470	-	-	4,761	311	5,869
At 31 December 2019	163	624	-	-	12,275	464	13,526
Carrying amount							
At 31 December 2019	725	433	-	-	3,460	345	4,963
At 31 December 2018	101	76	-	13	4,848	36	5,074

12 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.

12 Leases (continued)

	Property £ 000	Non-property £ 000	Total £ 000	Lease Liabilities £000
At 1 January 2019	7,755	113	7,868	(14,805)
Additions	673	-	673	(1,151)
Terminations/modifications	(6,391)	-	(6,391)	8,144
Interest expense	-	-	-	(1,245)
Lease payments	-	-	-	3,618
Charge for the year	(1,350)	(90)	(1,440)	-
Carrying amount				
At 31 December 2019	687	23	710	(5,439)

	2019 £ 000
Non-current lease liability	3,490
Current lease liability	1,949
	5,439

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	487
Insurance rent	56
Irrecoverable VAT and other levies expensed (recognised within other operating expenses)	649
Profit from termination of leases (recognised within operating loss note 5)	(2,169)
Other	42
	(935)

During the year ended 31 December 2019, the total cash outflows for leases was £3.2m.

12 Leases (continued)

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

	2019 £ 000
Within one year	2,607
In two to five years	6,276
Total undiscounted value	8,883

13 Investments in subsidiary undertakings

	2019 £ 000
Cost or valuation	
At 1 January 2019	354,857
Additions	3,551
Disposals	2,728
At 31 December 2019	361,136
Provision for impairment	
At 1 January 2019	240,907
Impairment	9
Eliminated on disposals	2,729
At 31 December 2019	243,645
Carrying amount	
At 31 December 2019	117,491
At 31 December 2018	113,950

During the year, the Company acquired Mastercover Insurance Services Limited, a fellow Group subsidiary, for £3.5m.

Following an investments review, the Company adjusted its investment cost and provision for impairments for £2.7m. This is in relation to Smartlandlord.co.uk, a subsidiary dissolved in 2016. The adjustment had no impact on the carrying value of the investments in the current and prior years.

13 Investments in subsidiary 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 2019, 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.

Following the above year end review, the Company is not required to impair its investments.

During the year, the Company adjusted the value of its investments in Towergate Financial (Group) Limited, and recognised an impairment in its Statement of Comprehensive Income.

Subsidiaries

Details of the subsidiaries as at 31 December 2019 are as follows. Unless otherwise shown, the registered office is 4th Floor, 1 Minster Court, Mincing Lane, London, EC3R 7AA:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held 2019	2018
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%

13 Investments in subsidiary undertakings (continued)

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held 2019	2018
Towergate Chase Parkinson Limited (3)	In Liquidation	England	100%	100%
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%
Mastercover Insurance Services Limited (4)	Insurance broker	England	100%	0%

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
(4) Registered office address is 2 Oaks Court, Warwick Road, Borehamwood, Hertfordshire, England, WD6 1GS.

There were a number of entities dissolved after the year end, but before the financial statements were signed:
- Eclipse Park Acquisitions Limited on 6 February 2020,
- Towergate Chase Parkinson Limited on 6 February 2020, and
- Duncan Pocock (Holdings) Limited on 2 April 2020.

14 Investments in associate

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 was then 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.
Following a 1 July 2019 amended agreement, the settlement date is a date between 19 January 2020 and 30 September 2020, and settlement may be in cash or equity of the Company. A contingent proceeds liability of £20.0m in relation to this clawback mechanism is recognised by the Company at 31 December 2019.
At the time of disposal, the £30.0m cash received was recognised and £20.0m was recorded as a contingent proceeds liability, resulting in a gain on disposal of associate of £4.6m. At 31 March 2018, the fair value of the contingent proceeds liability was reassessed based on the then current equity value of Bravo, resulting in the recognition of a £3.3m increase to the gain on disposal. At 30 June 2019, the fair value of the deferred proceeds liability was reassessed again, resulting in the recognition of a gain of £0.7m on disposal. The contingent proceeds liability has since remained unchanged.

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.

15 Trade and other receivables

	2019 £ 000	2018 £ 000
Receivables from other Group companies	870,676	921,701
Loans to other Group companies	315,112	315,112
Accrued income	283	3
Prepayments	3,455	9,421
Other receivables	49,653	29,431
Total current trade and other receivables	1,239,179	1,275,668

During the year, the Company made an additional provision of £0.2m against receivable from related parties, bringing the total provision to £41.0m (2018: £40.7m) at the year end, against the receivables from related parties. For more details on related party balances please see note 23.

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

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

16 Cash and cash equivalents

	2019 £ 000	2018 £ 000
Cash at bank	9,378	5,819

Cash at bank includes £0.2m (2018: £0.6m) which are considered restricted and not available to pay the general debts of the Company.

17 Loans and borrowings

	2019 £ 000	2018 £ 000
Current loans and borrowings		
Interest payable on loan notes	51,323	40,526
Subordinated loans	122,000	122,000
	173,323	162,526

17 Loans and borrowings (continued)

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.

18 Trade and other payables

Non-current liabilities

	2019 £ 000	2018 £ 000
Contingent consideration	-	16,750
Other payables	3,381	-
	3,381	16,750

Current liabilities

	2019 £ 000	2018 £ 000
Accrued expenses	9,850	18,396
Amounts due to other group companies	570,471	580,604
Social security and other taxes	4,764	4,726
Outstanding defined contribution pension costs	970	881
Other payables	7,430	5,103
Contingent consideration	16,100	310
Deferred income	-	42
	609,585	610,062

Amounts due to other Group companies includes balances to related parties which details can be found in note 23. All of the balances are unsecured, interest free and payable on demand.

Contingent consideration includes amounts payable to related parties, for more details see note 23.

19 Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The total cost charged to the Statement of Comprehensive Income of £0.4m (2018: £0.3m) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans.

As at 31 December 2019, contributions of £1.0m (2018: £0.8m) due in respect of the current reporting year had not been paid over to the schemes and are included in Trade and other payables.

20 Share capital

Allotted, called up and fully paid shares

	2019		2018	
	No. 000	£ 000	No. 000	£ 000
Ordinary A of £0.01 each	33,178,460,269	331,785	33,178,460,269	331,785
Deferred B of £1,407,307,331 each	1	1,407,307	1	1,407,307
	33,178,460	1,739,092	33,178,460	1,739,092

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.

21 Provisions

	E & O £ 000	Onerous lease £ 000	Dilapidations £ 000	Other provisions £ 000	Total £ 000
At 1 January 2019	4,524	315	105	718	5,662
IFRS 16 Transition adjustment	-	(839)	-	-	(839)
Internally transferred in/(out)	(4,524)	800	1,016	-	(2,708)
Additional provisions made in the period (inc. increase to existing provisions)	-	-	380	119	499
Unused amounts reversed during the period	-	-	(891)	-	(891)
Amounts used (i.e incurred and charged against the provision) during the period	-	(219)	-	(716)	(935)
Unwind of Discount	-	17	13	-	30
At 31 December 2019	-	74	623	121	818
Non-current liabilities	-	13	124	-	137
Current liabilities	-	61	499	121	681

Onerous leases- provides for costs incurred on vacant properties, excluding rent costs (which are subject to lease accounting).

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.

The finance charge relating to unwinding of the discount has been charged to the Statement of Comprehensive Income.

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 Facilities ("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. At the date of this report, the Group's RCF committed facility had been extended to £170m, of which £70m was drawn. Permissible RCF drawings are limited by the Group's credit facility basket.

On 19 November 2018 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
PEIH Limited	Towergate Risk Solutions Limited
Nevada InvestorCo Limited	Towergate Underwriting Group Limited

22 Commitments *(continued)*

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

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

23 Related party transactions

Business was conducted, on an arm's length basis, within The Ardonagh Group Limited group of companies. The Company has taken the exemption under FRS 101 not to disclose transactions with fellow wholly owned subsidiaries or key management personnel.

During the year the Company entered into transactions, in the ordinary course of business, with a number of related parties. The Company has provided services and incurred expenses on behalf of the related parties and recharged costs to them. The table below shows the transactions and balances with related parties, entities that form part of the Group but are not wholly owned by The Ardonagh Group Limited.

	2019 Paid to £ 000	2019 Received from £ 000	2019 (Due to) /receivable from at year end £ 000	2018 Paid to £ 000	2018 Received from £ 000	2018 (Due to) /receivable from at year end £ 000
Towergate Financial (London) Limited*	-	-	365	-	-	365
Towergate Financial (West) Limited	2	-	(1,956)	641	-	(1,958)
Towergate Financial (North) Limited	-	-	(2,156)	73	-	(2,156)
Towergate Financial (Scotland) Limited	-	-	(8,889)	-	-	(8,889)
Towergate Financial (East) Intermediate Limited *	-	-	2,959	-	-	2,959
Towergate Financial (East) Limited	674	-	(5,426)	508	-	(6,100)
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 *	171	-	18,146	5,330	-	17,975
Oyster Risk Solutions Limited	2,556	-	19,190	2,734	-	16,634
Oyster Property Insurance Specialists Limited	-	-	1,482	-	-	1,482

23 Related party transactions (continued)

* In 2019, the Company made a provision of £0.2m, totalling £41.0m, against intercompany debt from the Towergate Financial Group companies as disclosed in note 5.

The Company has been providing services, incurred expenses on behalf of the related parties and recharged costs out to them. These business transactions related party balances can been The related party balances arose on services provided by the Company , and

Bravo

At 31 December 2017, the Company owned 19.9% of the voting shares in Bravo Investment Holdings Limited (Bravo) which had acquired The Broker Network Limited (Broker Network) and Countrywide Insurance Management Limited (Countrywide), fellow group companies, in 2016.

In 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. The cash received plus an additional £1.2m is subject to a contingent clawback clause dependent upon the future performance of the business.

Following a 1 July 2019 amended agreement, the settlement date for the contingent clawback is a date between 19 January 2020 and 30 September 2020, and settlement may be in cash or equity of the Company. A deferred proceeds liability of £16.1m (2018: £16.75m) in relation to this clawback mechanism is recognised by the Company at 31 December 2019 in note 18.

During 2019 the Company supplied services of £170,788 (2018: £182,177) to Bravo. A balance of £64,315 (2018: £374,092) was outstanding at 31 December 2019.

24 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 1 Minster Court, Mincing Lane, London, EC3R 7AA).

Financial statements for The Ardonagh Group Limited and Ardonagh Midco 3 plc are available on request from:

1 Minster Court
Mincing Lane
London
EC3R 7AA