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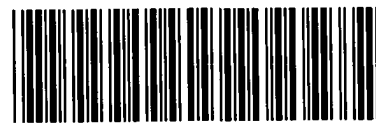
Advisory Insurance Brokers Limited

(formerly named Towergate Underwriting Group Limited)

Annual Report and Financial Statements

for the Year Ended 31 December 2021

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Advisory Insurance Brokers Limited

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Advisory Insurance Brokers Limited

Company Information

| | |
|--------------------------|---|
| Directors | R L Worrell |
| | H S Williams |
| | R Tuplin |
| Company secretary | Ardonagh Corporate Secretary Limited |
| Registered office | 2 Minster Court Mincing Lane London EC3R 7PD United Kingdom |
| Auditor | Deloitte LLP 1 New Street Square London EC4A 3HQ United Kingdom |

Advisory Insurance Brokers Limited

Strategic Report for the Year Ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021 for Advisory Insurance Brokers Limited ("the Company" or "AIBL"). 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. Following significant new equity investment as disclosed in note 26, the Company is now part of a new holding company structure. Prior to this and as at 31 December 2021, the Company was part of The Ardonagh Group Limited ("the Group").

Principal activities and business review

The principal activity of the Company is the provision of insurance intermediary services.

The Company changed its name from Towergate Underwriting Group Limited to Advisory Insurance Brokers Limited on 22 March 2022.

The results for the Company show turnover of £220.6m (2020 Restated: £203.6m) and profit before tax of £55.2m (2020: £11.2m) for the year. At 31 December 2021 the Company had net assets of £288.2m (2020: £239.4m). The going concern note (part of accounting policies) on page 20 sets out the reasons why the directors continue to believe that the preparation of the financial statements on a going concern basis is appropriate.

Business strategy and objectives

The Company continues to focus on the provision of advice on insurance and risk management for our primarily commercial SME clients. The advice is delivered face-to-face, over the telephone or online, and offers clients a tailored insurance broking service with a wide choice and access to specialist products and solutions designed to meet their individual needs across the full spectrum of personal, commercial and corporate classes. As part of the wider Group strategy to align legal entity structure with its operating segments, the Company has acquired several operations in 2020 and 2021 and is now well positioned as the principal broking entity for the Group's Advisory segment.

Companies Act s.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 day to day Board level governance over the business of Advisory Insurance Brokers Limited ("AIBL") is undertaken by the Board of Ardonagh Advisory Holdings Limited ("Segment Board"), of which 2 directors of the Company are members.

The Board considers the long-term consequences of its decisions and these are guided by a 5-year business plan, risk appetite and risk framework, which seeks to ensure that the business plan is executed with due regard to our stakeholders and maintaining our high standards of business conduct. Ongoing engagement with our shareholders and bondholders are primarily exercised by the Group Board and a voluntary disclosure of how the Group Board applies the Wates Corporate Governance Principles for Large Private Companies and discharges their s.172 Duties are set out in the Group Annual Report. The Board have identified the following as our key stakeholders and how the Board engages with each stakeholder is set out on the following pages.

Advisory Insurance Brokers Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

Employees

Our employees are central to our success and 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 working conditions that are Covid-19 safe and providing long-term career prospects for staff with opportunities to up-skill through training, providing career progression paths and study support and, if appropriate, movement across different Ardonagh businesses. Each of our Segment Boards have undertaken a review of management succession, including focus on improving diversity over time. The Employee Group Plan is an equity scheme that recognises the wider contribution of employees; identifying key talent and future leaders within the Group. The plan extends to a wide cross-section of our people and has created a more diverse group both in terms of age and gender that now hold equity.

Our Board believes in the importance of communication and engagement with all employees and this has become increasingly important since many of our staff moved to homeworking or hybrid office and home working in 2020 and 2021. Good communication and engagement is also linked to and supports our actions taken to enhance staff well-being. The Business has undertaken regular communication and other engagement activities, including Group initiatives, such as the award winning Radio Ardonagh. Other Group initiatives include 'applause' where employees can give a 'shout out' to their colleagues who have gone above and beyond. There are also weekly all-staff communications, messages from the CEO and our annual Spotlight Awards.

The third Group-wide employee pulse survey was undertaken in Q4 2021. The Advisory Platform achieved an excellent 81% response rate and an overall positivity score of 73.3% compared with 75.4% in 2020, which management consider to be a good result given the impact and challenges of Covid 19. AIBL achieved a positivity score of 73.7%. Our Segment Board have considered the pulse survey scores and the actions to be taken as a result of the survey, which include a refresh of actions to be taken across each of our 5 people commitments; Attract and Retain, Onboard and Develop, Recognise and Reward, Empower and Enable, and Respect and Support. Each of these 5 people commitments outline our ambition for a diverse and fair workforce and an inclusive culture. As a business, we believe that diversity strengthens us and in 2021 we launched a number of employee forums in which to hold frank, straightforward conversations on topics such as well-being, diversity and inclusion and this two-way dialogue with our people has been warmly received and is leading to tangible actions and progress. Our Women in Leadership programme won a Princess Royal training award and nominated for a National Insurance Award. We also launched an Apprenticeship Programme to grow our own pool of account handlers and executives.

Remuneration

AIBL applies appropriate remuneration levels to secure and retain high-quality directors, senior management and the wider workforce. Group policies on remuneration structures take into account the pay and conditions of the wider workforces and matters such as the gender pay gap. The Group Remuneration Policy ensures that our remuneration structures support our strategy by:

- Promoting sound and effective risk management through clear objective setting (that are monitored and measured).
- Balanced scorecards for senior managers that include a range of financial and non-financial measures and are aligned with the Group's long-term strategic plans.
- Non-financial measures include compliance behaviours and good customer outcomes.
- Sales schemes are designed to incentivise the right compliance and customer outcome behaviours.
- Role benchmarking, Business Standards and oversight exercised by the Group and Segment Remuneration Committees mitigate risk of inappropriate incentives and excessive rewards.

Employee salaries are reviewed annually. The Remuneration Committee reviews and sets director fee levels for the Group and Segment Boards. Salary reviews take into account individual performance, Group performance and the underlying business environment. Remuneration is periodically and consistently benchmarked against relevant roles or across job families.

Advisory Insurance Brokers Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

Remuneration strategies are expected to be devised with reference to issues identified in the Group gender pay gap report and our desire to promote Diversity and Inclusion. Gender pay gap reporting is recorded and reported as a Group and management have taken a series of measures to encourage the promotion of diversity throughout the workforce and in senior leadership roles.

Customers

Seeking good customer outcomes is central to the success of the business. Management continues to improve how we track how our customers perceive our businesses. In addition, our products and services are periodically reviewed to ensure they continue to meet the needs of our customers. The Segment Board discharges oversight over performance against conduct risk frameworks and key customer related metrics to ensure we can evidence that the customer remains at the heart of our decision making. Our businesses have fully embraced the FCA requirements on general insurance pricing & value that came into force at the end of 2021.

Regulatory relationships

Our regulators across the world are key stakeholders and the Board prioritises positive, open and transparent engagement with all our regulatory relationships by ensuring the right 'tone from the top', which starts with how the Board and senior management engage with our regulators. The Segment Board receive regular updates on regulatory interactions and new regulatory guidance and how they impact our businesses. We regularly participate in regulatory thematic reviews and believe that a strong relationship with our regulators is a source of competitive advantage.

Insurers

Our insurance partners are fundamental to the success of the business. Senior leaders regularly meet with our key insurance partners to discuss performance and ways in which we can enhance cover for customers and feedback on insurer relationships are reported to the Segment Board.

Our Suppliers

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

Community

Since The Ardonagh Community Trust ("ACT") was formed, we have donated circa. £1m to over 400 charities as chosen by our Ardonagh colleagues, including Advisory. In 2021, 35 projects were nominated by colleagues with £153,315 of funds awarded, including projects nominated by Advisory colleagues. This allowed charities and community organisations to complete projects to further support those who need their services. With the lifting of restrictions, we also saw an increase in colleagues fundraising for causes they care about through marathons, sponsored walks and other challenges. ACT was able to boost the £103,995 raised by our colleagues with an additional £52,425. Additionally, Advisory colleagues were encouraged to take their one-paid day a year of volunteering time and despite the ongoing restrictions imposed by Covid-19 over 500 hours across the Ardonagh Group were donated into local communities.

The Group partnership with mental health charity Mind came to an end in 2021 with £200,000 raised for the charity and important conversations opened on the importance of this topic. The Group began its latest partnership with Samaritans in May 2021, and was launched in line with Mental Health Awareness Week. More Advisory colleagues were trained as mental health first aiders in 2021 and this will continue into 2021. In addition, awareness training is planned with the Samaritans that will enable us to continue to break the stigma surrounding mental health.

Outlook

Following further rationalisation of trade through a series of acquisitions in 2020 and 2021, the Company will use this base to deliver a strong environment for the insurance broking business and a base to drive growth on a cost-efficient basis.

Advisory Insurance Brokers Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

Key performance indicators

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

| | Unit | 2021 | (As restated) 2020 |
|--|------|-------|-----------------------|
| Gross written premium (GWP) brokered | £m | 864.6 | 769.1 |
| Total income (commission and fees) | £m | 220.6 | 203.6 |
| Administrative expenses (salaries and associated costs, and other operating costs) | £m | 152.4 | 156.1 |
| Total income/GWP ratio | % | 25.5 | 26.5 |
| Administrative expenses/total income ratio | % | 69.1 | 76.7 |

The Turnover/GWP ratio has decreased in the year from 26.5% in 2020 to 25.5% in 2021, the reduction driven by the commercial pressure on commission rates against a backdrop of rising premiums. Administrative expenses have decreased from £156.1m in 2020 to £152.4m in 2021. The decrease is mainly due to the implementation of a Group-wide business transformation programme that has implemented process improvements, restructuring and redundancies in the period as part of a focused cost saving initiative.

Non-financial key performance indicators include staffing levels which have shown a 5.7% increase in the average number of persons employed by the Company throughout the period. This has largely been driven by acquisitions in the year. Further discussions on employee matters can be found in the Directors' Report.

Principal risks and uncertainties

The principal risks and their mitigation are as follows:

Strategic and commercial risk

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

Financial risk

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

The Company and Group have demonstrated their resilience from an economic shock and operational and financial resilience in response to the ongoing Covid-19 pandemic. The Company and Group have sufficient liquidity to withstand a period of potential poor trading resulting from a sustained economic decline, although this has not materialised to date and the Group would respond to income declines by seeking cost savings. The Group had available liquidity of £688.4m at 31 March 2022 and closely monitors available liquidity on an ongoing basis.

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.

Advisory Insurance Brokers Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

Operational risk

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

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

Regulatory and legal risk

Our business is primarily regulated by the Financial Conduct Authority (FCA). The FCA rules have a conduct and customer focus but also impose minimum capital and liquidity requirements on the Company. In 2022, further changes to the UK regulation of general insurance are due or likely to be enacted, notably in relation to: pricing and value; consumer rights; operational resilience; and oversight of Appointed Representatives. Only regulatory interventions on pricing are anticipated to have a notable financial implication for the general insurance market, with this limited to certain lines of consumer business. As all consumer market participants will be impacted, including the Company's competitors, this is anticipated to give rise to both risks and opportunities for the business and Group.

We are subject to various actual and potential claims, lawsuits and other proceedings relating principally to alleged errors, omissions or unfair provisions in connection with the placement of insurance or the provision of financial services advice in the ordinary course of business. As at 31 December 2021 the litigation provision is £2.3m (2020: £1.2m).

We maintain professional indemnity insurance for errors and omissions claims. The terms of this insurance vary by policy year and our ability to obtain professional indemnity insurance in the future may be adversely impacted by general developments in the market for such insurance, or by our own claims experience. If our insurance coverage proves inadequate or unavailable, there is an increase in liabilities for which we self-insure.

Underwriting capacity risk

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

Volatility in premiums and insurance market cycle

Volatility or declines in premiums, as well as declines in commission rates, may seriously undermine our business and results of operations. We derive most of our revenue from commissions and fees for underwriting and broking services. Our commissions are generally based on insurance premiums, which are cyclical in nature and may vary widely based on market conditions. A significant reduction in commissions, along with general volatility or declines in premiums, could have a significant adverse effect on our business.

On a longer time horizon, the insurance markets might be disrupted by new technologies, "open finance" or new distribution structures, which may give rise to both risks and opportunities for the Group.

Advisory Insurance Brokers Limited

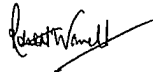
Strategic Report for the Year Ended 31 December 2021 (continued)

Retention and wellbeing of staff

The loss of several senior management or a significant number of our client-facing employees could have a material adverse effect on our business. The inability to attract and retain qualified personnel could also have a material adverse effect on our business. The Company maintains appropriate performance management, remuneration, succession planning and other HR policies that are proportionate to the business. The Company has also had to respond to the changing nature of ways of working with the emergence of hybrid or remote working becoming more mainstream which has required us to focus on risk management around data, cyber, capability and wellbeing of employees.

Business Continuity Plans are in place, which include policies to manage employee absences, to ensure access to the wider network of offices, to maintain the efficiency and stability of the Group's infrastructure, and to facilitate 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 the taking of common-sense precautions with a view to ensuring the wellbeing of colleagues. We continue to review this approach in line with the latest developments and government guidance.

Approved by the Board on 5 August 2022 and signed on its behalf by:



R L Worrell
Director

Advisory Insurance Brokers Limited

Directors' Report for the Year Ended 31 December 2021

The directors present their annual report and the audited financial statements for the year ended 31 December 2021.

Directors of the Company

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

R L Worrell

H S Williams

N Palmer-Minnis (resigned 15 July 2021)

J Thelwell (resigned 1 March 2022)

The following director was appointed after the year end:

R Tuplin (appointed 19 May 2022)

Dividends

The directors do not recommend a final dividend payment to be made in respect of the financial year ended 31 December 2021 (2020: £Nil).

Financial risk management objectives and policies

Details of financial risk management objectives and policies can be found in the Strategic Report within the 'Principal risks and uncertainties' section on page 5.

Streamlined Energy and Carbon Reporting

As a subsidiary undertaking for the year ended 31 December 2021, the Company has not separately reported its energy and carbon information. Instead, this information has been reported at group level. Further details can be found in the 2021 Annual Report and Financial Statements of Ardonagh Midco 2 plc, which is published on the Ardonagh website.

Research and development

The Company has a strong commitment to R&D and activity in this regard is wholly information technology focused. The chief aim of undertaking R&D is to augment the Company's ability to compete in the insurance brokerage market, improve customer experience, offer tailored products and enhance, as well as continue to demonstrate, the Company's adherence to FCA guidelines.

R&D activity is focused on finance transformation ("FTP"), policy administration system ("PAS") development, pricing applications and optimisation models, and the development of product-specific packages. The Company continues to be involved in R&D activity and tax relief claims under the Research and Development Expenditure Credit ("RDEC") scheme are expected in future periods.

Future developments

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

Political donations

The Company has not made any political donations during the year (2020: £Nil).

Corporate governance

For the year ended 31 December 2021, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies.

There have been no departures from the code in the current year.

Advisory Insurance Brokers Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

Wates Principles

The Board has reviewed the Wates principles and considers them to be relevant and appropriate for a regulated Company of our size and complexity rather than the UK Corporate Governance Code (which is more relevant for Listed companies). The Board considers it to be a matter of best practice to adopt and comply with a suitable governance code and has therefore approved the adoption of the Wates Principles. Further details of how the Company has applied the principles can be found in the strategic report of these financial statements in the s172 statement.

Subsequent events

Details of subsequent events can be found in the Notes to the financial statements within the 'Subsequent events' section on page 51.

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.

Going concern

The Company's business activities, together with the factors likely to affect its future development are described in the Strategic Report on page 2. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Further details of this assessment can be found in note 2 to these financial statements.

Directors' indemnities

All directors of the Company and fellow Group companies benefit from qualifying third party indemnity provisions, subject to the conditions set out in the Companies Act 2006, in place during the financial year and at the date of this report.

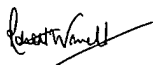
Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditor

The auditor, Deloitte LLP, is deemed to be reappointed under section 487 (2) of the Companies Act 2006.

Approved by the Board on 5 August 2022 and signed on its behalf by:



.....
R L Worrell
Director

Advisory Insurance Brokers Limited

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. 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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Advisory Insurance Brokers Limited

Independent Auditor's Report to the Members of Advisory Insurance Brokers Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Advisory Insurance Brokers Limited ("the Company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Advisory Insurance Brokers Limited (the "Company") which comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 26.

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- We evaluated and challenged key assumptions underpinning cash flow forecasts, the stresses applied and the reverse stress test. In particular we compared market forecast assumptions for 2022 and 2023 with the actual performance in 2021 compared to the revised budgets developed in March 2022;
- We assessed mitigating cost actions within management's control and tested the availability of the RCF and compliance with debt covenants;
- We made inquiries of senior management in relation to their assessment of the continued operational impacts of Covid -19 on the group including inquiries regarding business resilience;
- We inspected correspondence between the group and its regulators;
- We performed an analysis of the group's financial performance in the first two months after the balance sheet date; and
- We assessed financial statement disclosures in respect of going concern for transparency and inclusion of all facts and circumstances of which we are aware through the performance of the audit work.

Advisory Insurance Brokers Limited

Independent Auditor's Report to the Members of Advisory Insurance Brokers Limited (continued)

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Advisory Insurance Brokers Limited

Independent Auditor's Report to the Members of Advisory Insurance Brokers Limited (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pension legislation, and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's regulatory permissions and environmental regulations.

We discussed among the audit engagement team including relevant internal specialists such as tax, and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below: We have assessed that there is a significant risk of material misstatement relating to revenue recognition in the commission and fee income balance which is pinpointed to the cut off assertion.

- We have obtained an understanding of the commission and fee income process and the flow of financial information into the general ledger; and
- We have performed cut-off testing on the commission and fee income balance to identify any transactions which may have been erroneously recorded in the incorrect period.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements; performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; enquiring of the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the FCA.

Advisory Insurance Brokers Limited

Independent Auditor's Report to the Members of Advisory Insurance Brokers Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

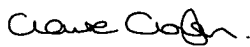
Under the Companies Act 2006 we are required to report in respect of following matters if, in our opinion:

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

Date: 5 August 2022

Advisory Insurance Brokers Limited

Statement of Comprehensive Income for the Year Ended 31 December 2021

| | | (As restated*) | |
|---|------|----------------------|-------------------|
| | Note | 2021 £ 000 | 2020 £ 000 |
| Commission and fees | 4 | 220,593 | 203,579 |
| Salaries and associated costs | 7 | (101,646) | (97,243) |
| Other operating costs | | (50,772) | (58,875) |
| Impairment of financial assets | | (717) | 30 |
| Depreciation, amortisation and impairment of non-financial assets | | (10,242) | (36,482) |
| Gain on disposal of business | 9 | - | 2,072 |
| Operating profit | | <u>57,216</u> | <u>13,081</u> |
| Finance income | 6 | - | 13 |
| Finance costs | 6 | <u>(1,996)</u> | <u>(1,926)</u> |
| Net finance costs | 6 | <u>(1,996)</u> | <u>(1,913)</u> |
| Profit before tax | | 55,220 | 11,168 |
| Tax expense | 11 | <u>(3,711)</u> | <u>(10,882)</u> |
| Profit for the year | | <u><u>51,509</u></u> | <u><u>286</u></u> |

The above results arise from continuing operations. There was no other comprehensive income in the current or prior year.

*The Company has recognised an adjustment in its financial statements in relation to a revenue classification error identified and corrected to achieve conformity with IFRS 15. The adjustment reclassified £3.7m from Commission and fees to Other operating costs as at 31 December 2020. As a reclassification which increased commission and fees by £3.7m and increased operating costs by £3.7m, the adjustment has had no impact on the reported profit or the statement of financial position. See note 25 for further details.

Advisory Insurance Brokers Limited

(Registration number: 04043759)

Statement of Financial Position as at 31 December 2021

| | Note | 2021 £ 000 | 2020 £ 000 |
|--|------|------------------|------------------|
| Non-current assets | | | |
| Intangible assets | 12 | 166,503 | 164,280 |
| Property, plant and equipment | 13 | 3,736 | 3,939 |
| Right-of-use assets | 14 | 11,316 | 13,205 |
| Trade and other receivables | 16 | - | 193 |
| Financial assets at fair value through OCI | 17 | 77 | 77 |
| Deferred tax assets | 11 | 18,441 | 12,583 |
| | | <u>200,073</u> | <u>194,277</u> |
| Current assets | | | |
| Cash and cash equivalents | 15 | 132,227 | 97,524 |
| Trade and other receivables | 16 | 257,758 | 197,191 |
| | | <u>389,985</u> | <u>294,715</u> |
| Current liabilities | | | |
| Trade and other payables | 18 | (264,751) | (220,774) |
| Lease liabilities | 14 | (3,989) | (4,037) |
| Tax liabilities | | (17,858) | (8,814) |
| Provisions | 21 | (3,148) | (2,376) |
| | | <u>(289,746)</u> | <u>(236,001)</u> |
| Net current assets | | <u>100,239</u> | <u>58,714</u> |
| Total assets less current liabilities | | <u>300,312</u> | <u>252,991</u> |
| Non-current liabilities | | | |
| Lease liabilities | 14 | (9,037) | (10,653) |
| Provisions | 21 | (2,432) | (2,651) |
| Trade and other payables | 18 | (646) | (330) |
| | | <u>(12,115)</u> | <u>(13,634)</u> |
| Net assets | | <u>288,197</u> | <u>239,357</u> |
| Capital and reserves | | | |
| Share capital | 22 | 557,261 | 557,261 |
| Other reserves | | 293 | 293 |
| Retained losses | | (248,151) | (299,701) |
| Merger reserves | | <u>(21,206)</u> | <u>(18,496)</u> |
| Total equity | | <u>288,197</u> | <u>239,357</u> |

The notes on pages 19 to 51 form an integral part of these financial statements.

Advisory Insurance Brokers Limited

(Registration number: 04043759)

Statement of Financial Position as at 31 December 2021 (continued)

Approved by the Board on 5 August 2022 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'R L Worrell', with a long horizontal stroke extending to the right.

R L Worrell
Director

The notes on pages 19 to 51 form an integral part of these financial statements.

Advisory Insurance Brokers Limited

Statement of Changes in Equity for the Year Ended 31 December 2021

| | Share capital £ 000 | Merger reserves £ 000 | Other reserves £ 000 | Retained losses £ 000 | Total £ 000 |
|----------------------------|---------------------------|-----------------------------|----------------------------|-----------------------------|----------------|
| At 1 January 2021 | 557,261 | (18,496) | 293 | (299,701) | 239,357 |
| Net profit for the year | - | - | - | 51,509 | 51,509 |
| Share-based payment | - | - | - | 41 | 41 |
| On business combinations | - | (2,710) | - | - | (2,710) |
| At 31 December 2021 | <u>557,261</u> | <u>(21,206)</u> | <u>293</u> | <u>(248,151)</u> | <u>288,197</u> |

In 2021, the Company acquired the renewal rights of a portfolio from CCV Risk Solutions Limited, Berkeley Alexander Limited and Edwards & Swan Insurance Brokers Limited, all companies under common control, resulting in the recognition of a £2.7m merger reserve during the year ended 31 December 2021, (see note 10).

| | Share capital £ 000 | Merger reserves £ 000 | Other reserves £ 000 | Retained losses £ 000 | Total £ 000 |
|--|---------------------------|-----------------------------|----------------------------|-----------------------------|----------------|
| At 1 January 2020 | 557,261 | (6,059) | 293 | (300,031) | 251,464 |
| Transition to IFRS 16 | - | - | - | - | - |
| Share-based payment | - | - | - | 44 | 44 |
| Net profit for the year | - | - | - | 286 | 286 |
| On business combinations and discontinued operations | - | (12,437) | - | - | (12,437) |
| At 31 December 2020 | <u>557,261</u> | <u>(18,496)</u> | <u>293</u> | <u>(299,701)</u> | <u>239,357</u> |

In 2020, the Company acquired assets from fellow Group entities. This resulted in a £17.12m movement to Merger reserves. In addition, the Company sold the renewal rights associated with its Sports, Leisure and Entertainment business to a fellow Group Company resulting in a debit to merger reserves of £4.72m. The remaining movement of £0.04m relates to an adjustment made to the merger reserve relating to the transfer of the Health portfolio, transferred to a fellow Group company in 2019. For further details please refer to note 10 Business combinations and note 9 Disposals.

Other reserves includes a balance of £0.3m, recognised following the Group reorganisation on 31 December 2003.

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

1 General information

The Company is a private company limited by share capital incorporated, domiciled and registered in England. The details of the registered office address can be found on page 1, and its principal activity on page 2.

These financial statements for the Year Ended 31 December 2021 were authorised for issue by the Board on 5 August 2022 and the Statement of Financial Position was signed on the board's behalf by R L Worrell.

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' ("FRS 101").

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

There are no new standards, amendments to standards or interpretations which are effective in 2021 or not yet effective and that are expected to materially impact the Company's financial statements.

Summary of disclosure exemptions

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

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64 (q)(ii), B66 and B67 of IFRS 3 Business Combinations which includes among other exemptions the requirement to include a comparative period reconciliation for goodwill;
- the requirements of 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;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64 (q)(ii), B66 and B67 of IFRS 3 Business Combinations, which includes among other exemptions the requirement to include a comparative period reconciliation for goodwill;
- the requirements of paragraph 33(c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures and of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

- 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 period reconciliations in respect of outstanding shares, property, plant and equipment and intangible assets;
- the requirements in paragraph 10(d) and 111 of IAS 1 Presentation of Financial Statements to prepare a Cash flow statement and the requirements in IAS 7 Statement of Cash Flows regarding the same;
- 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.

Going concern

As shown in account note 24, the Company was a member of a group ("the Group") of which The Ardonagh Group Limited ("TAGL") was the ultimate parent company and the highest level at which results were consolidated for the year ended 31 December 2021.

The financial statements of the Company have been prepared on a going concern basis. At 31 December 2021 the Company had net assets of £288.2m (2020: £239.4m) and net current assets of £100.2m (2020: £58.7m). The net current assets include amounts receivable from related parties of £204.9m (2020: £153.4m), and amounts due to related parties of £164.3m (2020: £134.0m). The Company reported a profit before tax of £55.2m (2020: £11.2m).

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

- The Group's capital structure, operations and liquidity.
- Base case and stressed cash flow forecasts over the calendar years 2022 and 2023.
- The impact on the base case and stressed cashflow forecasts arising from subsequent material acquisitions.
- The principal risks facing the Group, and its systems of risk management and internal control.
- Actual trading and cashflows of the Company and Group, including those of the group of companies previously owned by TAGL.

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

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

- The Group will continue to benefit from a £191.5m Revolving Credit Facility that is not drawn at the date of this report.
- Client retention and renewal rates remain robust, despite the current economic uncertainty, as the 2022 trading performance continues to demonstrate resilience across the Group, including that of the group of companies previously owned by TAGL.

Key stress scenarios that the directors have considered include cumulative stresses to the base plan as a result of:

- Shortfalls in base case projected income throughout 2022 and 2023.
- Deterioration in base case cash conversion rates over and above the shortfalls in income.
- Mitigating actions within management control including delayed capital expenditure, a reduction in discretionary spend and measured reductions in employee headcount and remuneration.
- The impact of increasing interest rates.

The directors have also modelled reverse stress scenarios, including assessing those that result in a default on the Group's term debt facilities that would require a technical repayment obligation and those that would exhaust available liquidity. The stresses needed for these outcomes to happen significantly exceed the key stress scenarios above and the directors consider such conditions to be a remote possibility. Other mitigations which may be possible in the stress scenarios but have not been included in the analysis include seeking shareholder support, securitising premium receivables and further incremental and more prolonged cost reductions.

The directors continue to consider the wider operational and financial consequences and ramifications of global political and economic tensions (including related to the Ukrainian conflict, inflation and increasing interest rates). In particular:

- Insurance broking is a resilient and defensive market, which has historically had limited impact from past economic or capital market downturns. The Group is highly diversified and not unduly exposed to a single carrier, customer or market sector.
- Although economic developments remain fluid, the stress testing demonstrates the Group's financial resilience and operating flexibility.
- As a result of Russia invading Ukraine, we have seen significant new sanctions legislation from a range of legislators (including the US, EU and UK), with newly sanctioned entities and individuals, and new (or wider in scope) sectoral sanctions targeting Russia (and Belarus). The Ardonagh Group has no appetite for potential breaches of applicable sanctions regimes and applies appropriate controls including automated screening of clients against relevant sanctions lists. We continue to actively monitor the situation as it develops and will respond accordingly as new sanctions are enacted.

Following the assessment of the Company and Group's financial position and its ability to meet its obligations as and when they fall due, including the further potential financial implications of economic uncertainty 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.

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Leases

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, lease payments made at or before the commencement date of the lease less any lease incentives received, plus the estimated costs of restoring the underlying asset to the condition required by the terms of the lease. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

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

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

Leases of low value assets

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

Intangible assets

Goodwill

Goodwill is initially measured as the excess of the fair value of the consideration transferred and of the non-controlling interest over the fair value of the net of the identifiable assets acquired and liabilities assumed. If goodwill is negative (i.e. a shortfall instead of an excess), it is recognised in profit or loss. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash generating units for the purposes of impairment testing.

Customer relationships

Customer relationship intangible assets are recognised on a business combination because the acquirer is able to benefit from selling future new business through existing relationships. Their fair value is calculated as the sum of the present value of projected cash flows in excess of returns on contributory assets over the life of the relationship with the customers. These assets are amortised on a straight-line basis over their estimated useful lives of between 3 and 10 years, which is estimated by reference to the history of the relationships and levels of attrition.

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

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 is 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 between 1 and 10 years, which considers the Group's track record of retaining brands and experience of the insurance broking market.

Computer software

Computer software is recognised when purchased separately, when acquired as part of a business combination, or when internally-generated. The fair value of computer software that is purchased separately is calculated by reference to the amount paid. The fair value of computer software that is acquired as part of a business combination is calculated using the depreciated replacement cost or relief from royalty approach. The fair value of internally-generated computer software is calculated as described below. These assets are amortised on a straight-line basis over their estimated useful life of 4 years.

Internally-generated computer software and assets under construction

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

An internally-generated intangible asset arising from the development of computer software is recognised if and only if all the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible 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 intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Internally-generated intangible assets are not amortised in the period subsequent to initial recognition but before they are ready for use. Amortisation commences when they are ready for use as intended by management. They are then reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Internally-generated intangible assets are amortised on a straight-line basis over their estimated useful life of 4 years.

Derecognition of intangible assets

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

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

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. At the reporting date, the Group's principal rates of depreciation were as follows:

| Asset class | Depreciation method and rate |
|--------------------------------|--------------------------------------|
| Leasehold Improvements | Over the remaining life of the lease |
| Fixture and fittings | Over 4 years |
| Furniture and office equipment | Over 4 years |
| Computer equipment | Over 4 years |
| Motor vehicles | Over 4 years |

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

Provisions

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

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

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

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees as consideration for the award of 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 IPO or a winding-up.

The Group has the option to repurchase MIP shares if employees leave the Group prior to the occurrence of a crystallisation event. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense, measured based on the fair value of the options granted and recognised on a straight-line basis over the vesting period. At the end of each reporting period the Group assesses the length of the vesting period based on the most likely date of crystallisation, where a crystallisation event is not deemed probable no expense is recognised.

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.

Revenue

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

Commission and fees

Revenue includes commission and fees receivable by the Company. Commission and fees relate mainly to placement or underwriting of policies on behalf of insurers or policyholders and are recognised at the later of policy inception date or when the policy placement has been completed and confirmed.

The Company retains a portion of the policy premiums as commission. Premiums are typically collected on an annual basis at or near contract inception (which could be up to 60 days from contract inception). In some cases, customers are offered to pay in instalments or are directed to a third-party premium credit provider. Some of the Company's contracts are rolling on a monthly basis, in which case payment is made on a monthly basis (see below). The Company utilises the practical expedient in IFRS 15 not to adjust the amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between when the Company transfers a service to a customer and when the customer pays for that service will be one year or less.

Post-placement performance obligations

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

To the extent that commission and fees received (or receivable) relate to both placement and post-placement performance obligations, a suitable proportion of income related to post-placement obligations is deferred based on the estimated standalone selling prices of the performance obligations in the contract and presented as a contract liability. Revenue for post-placement obligations is recognised over the period of providing the services. Under IAS 18, the Company recognised the commission and fees on placement of policies and recognised a provision for the costs to satisfy these performance obligations.

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and they are measured initially at fair value. Transaction costs arising on the issue of a financial asset or financial liability are accounted for as follows:

- Transaction costs are added to or deducted from the fair value of the financial asset or financial liability if they are directly attributable to the acquisition of the financial asset or financial liability, respectively, and if the financial asset is measured at fair value through other comprehensive income or if the financial asset or financial liability, respectively, is measured at amortised cost.
- Transaction costs are recognised immediately in profit or loss if they are directly attributable to the issue of a financial asset or financial liability at fair value through profit or loss, or if they are not directly attributable to the issue of a financial asset or financial liability.

Derecognition

Financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or the Group transfers the rights 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.

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 profit or loss. On derecognition of an investment in an equity instrument which the Group has elected on initial recognition to measure at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in equity is not reclassified to profit or loss but is included in retained earnings.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. The difference between the carrying value of the 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.

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Classification and subsequent measurement of financial assets

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

Financial assets are classified into one of the following three categories:-

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income (FVTOCI); or
- financial assets at fair value through the profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:-

- financial liabilities at amortised cost; or
- financial liabilities at fair value through the profit or loss (FVTPL).

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

Financial assets classified as amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:-

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

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

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

The Company's financial assets measured at amortised cost include trade and other receivables, advances to related parties, cash and cash equivalents and certain other financial assets.

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

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

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

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Financial assets classified as FVTOCI

Financial assets are classified and subsequently measured at FVTOCI if they meet the criteria to be classified at amortised cost except that the business model is to sell financial assets as well as to hold financial assets to collect contractual cash flows.

The Company may also irrevocably elect to classify and subsequently measure equity investments at FVTOCI. Gains and losses on these equity instruments are never recycled to profit or loss. Dividend income from equity instruments measured at FVTOCI is recognised in profit or loss as part of investment income when the right to payment has been established (provided that it is probable that the economic benefits will flow to the Company and that the amount of income can be measured reliably), except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in other comprehensive income. The right to payment is established on the ex-dividend date for listed equity securities, and usually on the date when shareholders approve the dividend for unlisted equity securities. Equity instruments at FVTOCI are not subject to an impairment assessment.

Foreign exchange gains and losses

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

- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income; and
- for all other financial assets that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the operating costs line item.

Reclassifications

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

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Impairment of financial assets

The Company assesses, on a forward-looking basis, the expected credit losses ("ECL") associated with its financial assets carried at amortised cost. The Company recognises a loss allowance for such losses at each reporting date. The Company recognises lifetime ECL for trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors and by scalar factors to reflect differences between economic conditions during the period over which the historical data was collected versus current conditions and the Company's view of economic conditions over the expected lives of the receivables, including the time value of money where appropriate. Scalar factors are typically based on GDP and unemployment rate forecasts.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 months ECL.

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

All cash and cash equivalents are assessed to have low credit risk at each reporting date as they are held with reputable banks and financial institution counterparties with, wherever possible, a minimum single A credit rating from both Moody's and S&P. The Company measures the loss allowance for such assets at an amount equal to 12 months ECL.

ECL is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. Lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available.

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.

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Credit-impaired financial assets

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

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

Write-off policy

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. A write-off constitutes a derecognition event. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Classification and subsequent measurement of financial liabilities

All financial liabilities are measured at amortised cost using the effective interest rate method.

The Company's financial liabilities include borrowings, and trade and other payables. Trade payables are initially recognised at fair value and are subsequently measured at amortised cost.

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.

Employee benefits

Pension costs

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

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

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

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Taxation

Current tax

Current tax is recognised for the amount of tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, deferred tax is reversed. Deferred tax assets and deferred tax liabilities are only offset if there is a legally enforceable right to set off current tax assets against current tax liabilities. Deferred tax asset and the deferred tax liability can only be offset when they relate to income taxes levied by the same taxation authority. Where deferred tax is offset on different taxable entities this is allowed when it is intending either to settle current tax assets or liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously.

The tax expense for the period comprises current and deferred tax. Income tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity.

Finance income and costs policy

The Company's finance income and finance costs include:

- interest income; and
- unwind of discount on financial assets or liabilities, including lease liabilities.

Interest income and expense are recognised using the effective interest method for debt instruments classified as amortised cost and as FVTOCI.

Accounting for business combinations under common control

Business combinations under common control are outside the scope of IFRS 3. The consideration for a transfer of business and net assets is determined by calculating the fair market value of the business and net assets, so as to ensure that the transfer does not constitute a distribution. The transferee derecognises the existing assets and liabilities. The transferor recognises the existing assets and liabilities at the 'predecessor' carrying amounts at which they were recognised by the transferor immediately prior to the transfer. The transferee and the transferor recognise the difference between the consideration paid and sum of the carrying amounts of the assets and liabilities in a merger reserve (no goodwill is recognised).

3 Critical accounting estimates and judgements

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.

There were no critical judgements used in preparing these financial statements. The key sources of estimation uncertainty at the Statement of Financial Position date that would have a significant effect on the carrying amounts of assets and liabilities are discussed below.

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

3 Critical accounting estimates and judgements (continued)

Key sources of estimation uncertainty

Deferred tax assets

Significant judgement is required in determining the asset recognised in respect of deferred tax. A deferred tax asset is recognised for temporary timing differences, and management's best estimate is used to determine the extent that it is probable that taxable profit will be available in the future, against which the temporary differences can be utilised, and the amount of this taxable profit. Deferred tax assets are measured at the tax rates in accordance with the tax laws that have been enacted or substantively enacted by the end of the reporting year. The deferred tax asset as at 31 December 2021 is £18.4m (31 December 2020: £12.6m), see note 11.

4 Turnover

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

| | (As restated*) | |
|--------------------------------|----------------|---------------|
| | 2021 £ 000 | 2020 £ 000 |
| Commission and fees | 209,768 | 194,768 |
| Profit commission arrangements | 229 | 19 |
| Trading deals | 7,941 | 7,926 |
| Other revenue | 2,655 | 866 |
| | 220,593 | 203,579 |

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

| | (As restated) | |
|---------------|---------------|---------------|
| | 2021 £ 000 | 2020 £ 000 |
| UK | 218,830 | 202,731 |
| Europe | 1,504 | 647 |
| Rest of world | 259 | 201 |
| | 220,593 | 203,579 |

* See the footnote to the Statement of comprehensive income and note 25 for further details.

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

5 Operating profit

Arrived at after charging/(crediting):

| | 2021 £ 000 | 2020 £ 000 |
|---|---------------|---------------|
| Auditor's remuneration: audit of these financial statements | 436 | 362 |
| Depreciation expense | 1,454 | 1,351 |
| Depreciation on right-of-use assets | 3,194 | 3,667 |
| Amortisation and other amounts written off intangibles | 5,594 | 5,267 |
| Impairment of goodwill | - | 26,067 |
| Loss on disposal of property, plant and equipment | 224 | 713 |
| Gain on disposal of intangible assets | (9) | (33) |
| Gain on disposal of goodwill | - | (2,038) |
| Management charges paid to parent | 20,678 | 20,308 |
| Impairment of financial assets | <u>718</u> | <u>(30)</u> |

Management fees of £20.7m (2020: £20.3m) relate to central recharges. Centralised IT, staff, property and other costs are recharged across cost centres within the rest of the Group.

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.

6 Finance income and finance cost

| | 2021 £ 000 | 2020 £ 000 |
|--|----------------|----------------|
| Finance income | | |
| Interest income on bank deposits | - | 2 |
| Other finance income | <u>-</u> | <u>11</u> |
| Total finance income | <u>-</u> | <u>13</u> |
| Finance costs | | |
| Unwinding of discount on financial liabilities | (1,592) | (1,926) |
| Interest imputed on liabilities | (16) | - |
| Other finance costs | <u>(388)</u> | <u>-</u> |
| Total finance costs | <u>(1,996)</u> | <u>(1,926)</u> |
| Net finance costs | <u>(1,996)</u> | <u>(1,913)</u> |

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

7 Salaries and associated costs

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

| | 2021 £ 000 | 2020 £ 000 |
|--|----------------|---------------|
| Wages and salaries | 88,644 | 84,819 |
| Social security costs | 9,410 | 9,170 |
| Pension costs, defined contribution scheme | 3,428 | 3,220 |
| Redundancy costs | 123 | (10) |
| Share-based payment | 41 | 44 |
| | <u>101,646</u> | <u>97,243</u> |

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

| | 2021 No. | 2020 No. |
|----------------|--------------|--------------|
| Administration | 801 | 686 |
| Sales | 965 | 1,226 |
| Management | 412 | 148 |
| | <u>2,178</u> | <u>2,060</u> |

8 Directors' remuneration

The directors' remuneration for the year was as follows:

| | 2021 £ 000 | 2020 £ 000 |
|--|---------------|---------------|
| Aggregate emoluments | 1,742 | 1,779 |
| Company contributions to money purchase pension scheme | - | - |
| | <u>1,742</u> | <u>1,779</u> |

The aggregate emoluments of the highest paid director were £0.7m (2020: £0.7m) and company pension contributions of £Nil (2020: £Nil) were made to a money purchase scheme on their behalf.

| | 2021 £ 000 | 2020 £ 000 |
|--|---------------|---------------|
| Retirement benefits are accruing in money purchase pension schemes for Nil directors (2020: Nil) | - | - |
| | <u>-</u> | <u>-</u> |

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

9 Disposals

There were no disposals made by the Company during the year ended 31 December 2021.

In the prior year, the Company sold its Milburn Insurance Brokers business and assets. The consideration received was cash of £0.1m, deferred consideration of £0.3m and contingent consideration with a fair value of £1.8m.

Details of assets and liabilities disposed of and of the consideration received are set out in the table below:

| | Milburn Insurance Brokers business |
|---|---|
| | £ 000 |
| Intangibles | 56 |
| Total net assets | <u>56</u> |
| Satisfied by: | |
| Proceeds - initial and deferred consideration | 2,132 |
| Costs to sell | (38) |
| Gain on disposal | (2,038) |
| Total net assets | <u><u>56</u></u> |

In 2020, the Company transferred its Sports, Leisure and Entertainment (SLE) book of business (renewal rights only) to Geo Underwriting Services Limited, a company under common control, for consideration of £4.7m. No net assets were transferred as part of the transaction, the consideration simply recognising the value attached to the future economic rights of the SLE business.

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

10 Business combinations

As part of the Group's strategy to align the legal entity structure with its operating segments, the Company has acquired three portfolios via business and asset transfer transaction under common control. Being common control transactions, these are outside the scope of IFRS 3. No goodwill is recognised on such transfers and instead, any consideration in excess of the carrying value of transferring assets and liabilities is taken to merger reserves.

On 1 February 2021, the Company acquired the trade from Edwards & Swan Insurance Brokers Limited for consideration of £0.6m. No assets were acquired or liabilities assumed under the terms of the transaction.

The Company has been the transferee in acquiring the renewal rights of a taxi portfolio from CCV Risk Solutions Limited, a fellow Group company on 1 June 2021. Consideration was £1.1m, recognising the future economic rights associated with the book of business, no assets were acquired or liabilities assumed under the terms of the transaction.

In addition, the Company has been the transferee in acquiring the renewal rights of a portfolio from Berkeley Alexander Limited, a fellow Group company on 1 June 2021. Consideration was £1.0m, recognising the future economic rights associated with the book of business, no assets were acquired or liabilities assumed under the terms of the transaction.

| | CCV Risk Solutions Limited £000 | Berkeley Alexander Limited £000 | Edwards & Swan Insurance Brokers Limited £000 | Total £000 |
|---------------------------------|--|--|--|-----------------------|
| Net assets/(liabilities) | - | - | - | - |
| Consideration payable | (1,129) | (970) | (611) | (2,710) |
| Merger Reserves | <u>1,129</u> | <u>970</u> | <u>611</u> | <u>2,710</u> |

The Company completed two external acquisitions in the period. On 1 April 2021, the Company completed the purchase of the renewal rights of Murton Alexander Insurance Services Limited for £0.6m cash and contingent consideration with a fair value of £0.2m. On 1 May 2021, the Company completed the purchase of the business and assets of Ambon Brokers Limited for £2.7m cash and contingent consideration with a fair value up to a maximum of £1.1m.

These acquisitions were accounted for under IFRS 3 which requires that the identifiable assets acquired and liabilities assumed are measured at their acquisition date fair value. Goodwill is calculated as the difference between the acquisition consideration and the acquisition date fair value of the net assets acquired. As a result of these external acquisition, the Company recognised the following assets and liabilities:

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

10 Business combinations (continued)

| | Murton Alexander Limited Insurance business £000 | Ambon Brokers Limited Insurance business £000 | Total £000 |
|-------------------------------------|---|--|-----------------------|
| Intangible assets | 250 | 1,174 | 1,424 |
| Goodwill | 630 | 2,853 | 3,483 |
| Deferred tax liability | (47) | (223) | (270) |
| Net assets | 833 | 3,804 | 4,637 |
| Total purchase consideration | (833) | (3,804) | (4,637) |

11 Income tax

The Company's tax charge is the sum of the total current and deferred tax expense.

| | 2021 £ 000 | 2020 £ 000 |
|--|-----------------------|-----------------------|
| Current taxation | | |
| UK corporation tax | 10,004 | 7,320 |
| UK corporation tax adjustment to prior periods | (165) | 981 |
| Total current taxation | 9,839 | 8,301 |
| Deferred taxation | | |
| Arising from origination and reversal of temporary differences | (3,461) | 6,878 |
| Adjustments in respect of prior periods | 623 | (2,245) |
| Effect of tax rate change on opening balance | (3,290) | (2,052) |
| Total deferred taxation | (6,128) | 2,581 |
| Tax charge in the Statement of Comprehensive Income | 3,711 | 10,882 |

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

11 Income tax (continued)

The following table reconciles the tax charge calculated at the UK statutory rate on the Company's profit before tax with the actual tax charge for the year.

| | 2021 £ 000 | 2020 £ 000 |
|---|---------------|---------------|
| Profit before tax | 55,220 | 11,168 |
| Corporation tax at standard rate of 19% (2020: 19%) | 10,492 | 2,122 |
| Adjustments to tax charge in respect of previous periods - current tax | (165) | 981 |
| Adjustments to tax charge in respect of previous periods - deferred tax | 623 | (2,245) |
| Expenses not deductible for tax purposes | 35 | 35 |
| Fixed assets differences | 1,907 | 6,978 |
| Deferred tax not recognised | (2,114) | 5,719 |
| Remeasurement of deferred tax for changes in tax rates | (6,293) | (2,676) |
| Income not taxable for tax purposes | (503) | - |
| Transfers - deferred tax | (271) | (32) |
| Total tax charge | 3,711 | 10,882 |

In the March 2021 Budget it was announced that the UK Corporation Tax Rate will rise from its current rate of 19% to 25% with effect from April 2023. UK deferred tax balances as at 31 December 2021 are measured at the rate that the respective assets and liabilities will reverse.

Deferred tax

Deferred tax assets and liabilities are recognised on the balance sheet as follows:

| 2021 | Asset/(Liability) £ 000 |
|------------------------------|----------------------------|
| Accelerated tax depreciation | 13,742 |
| Provisions | - |
| Tax losses carry-forwards | 5,755 |
| Other items | (1,055) |
| | 18,441 |

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

11 Income tax (continued)

| 2020 | Asset/(Liability) £ 000 |
|------------------------------|----------------------------|
| Accelerated tax depreciation | 7,242 |
| Provisions | - |
| Tax losses carry-forwards | 6,139 |
| Other items | (798) |
| | <u>12,583</u> |

Deferred tax movement during the year:

| | At 1 January 2021 £ 000 | Recognised in income £ 000 | Recognised in business combinations £ 000 | At 31 December 2021 £ 000 |
|------------------------------|-------------------------------|----------------------------------|--|------------------------------------|
| Accelerated tax depreciation | 7,242 | 6,500 | - | 13,742 |
| Provisions | - | - | - | - |
| Tax losses carry-forwards | 6,139 | (384) | - | 5,755 |
| Other items | (798) | 13 | (271) | (1,055) |
| Net tax assets | <u>12,583</u> | <u>6,129</u> | <u>(271)</u> | <u>18,441</u> |

Deferred tax movement during the prior year:

| | At 1 January 2020 £ 000 | Recognised in income £ 000 | Recognised in business combinations £ 000 | At 31 December 2020 £ 000 |
|------------------------------|-------------------------------|----------------------------------|--|------------------------------------|
| Accelerated tax depreciation | 9,075 | (1,833) | - | 7,242 |
| Provisions | 38 | (38) | - | - |
| Tax losses carry-forwards | 7,067 | (928) | - | 6,139 |
| Other items | (930) | 218 | (85) | (798) |
| Net tax assets/(liabilities) | <u>15,250</u> | <u>(2,581)</u> | <u>(85)</u> | <u>12,583</u> |

The Company did not recognise deferred tax assets as follows. These deferred tax assets have not been recognised in these accounts as it is not expected that the Group's future profitability will be sufficient to utilise them.

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

11 Income tax (continued)

| | 2021 £ 000 | 2020 £ 000 |
|----------------------------------|---------------|---------------|
| Accelerated tax depreciation | 4,680 | 9,349 |
| Provisions | 102 | 22 |
| Losses | 4,340 | 1,669 |
| Unrecognised deferred tax assets | <u>9,122</u> | <u>11,040</u> |

12 Intangible assets

| | Goodwill £ 000 | Trademarks, patents and licenses £ 000 | Contractual customer relationships £ 000 | Internally generated software development costs £ 000 | Software under construction £ 000 | Computer software £ 000 | Total £ 000 |
|---|-------------------|--|---|--|--|-------------------------------|----------------|
| Cost or valuation | | | | | | | |
| At 1 January 2021 | 387,127 | 1,366 | 25,627 | 3,235 | 1,668 | 14,947 | 433,970 |
| Additions | 109 | - | 858 | 350 | 691 | 157 | 2,165 |
| Disposals | - | - | - | - | - | (12) | (12) |
| On external acquisition | 3,483 | - | 1,424 | - | - | - | 4,907 |
| Transfers between asset classes | - | - | - | - | (83) | 83 | - |
| Transfers to property, plant and equipment | - | - | - | - | (358) | - | (358) |
| Intercompany ad-hoc transfers | - | - | - | - | (162) | 1,256 | 1,094 |
| At 31 December 2021 | <u>390,719</u> | <u>1,366</u> | <u>27,909</u> | <u>3,585</u> | <u>1,756</u> | <u>16,431</u> | <u>441,766</u> |
| Amortisation | | | | | | | |
| At 1 January 2021 | 236,262 | 1,363 | 21,429 | 1,343 | - | 9,293 | 269,690 |
| Amortisation charge | - | - | 2,143 | 708 | - | 2,743 | 5,594 |
| Amortisation eliminated on disposals | - | - | - | - | - | (21) | (21) |
| At 31 December 2021 | <u>236,262</u> | <u>1,363</u> | <u>23,572</u> | <u>2,051</u> | <u>-</u> | <u>12,015</u> | <u>275,263</u> |
| Carrying amount | | | | | | | |
| At 31 December 2021 | <u>154,457</u> | <u>3</u> | <u>4,337</u> | <u>1,534</u> | <u>1,756</u> | <u>4,416</u> | <u>166,503</u> |
| At 31 December 2020 | <u>150,865</u> | <u>3</u> | <u>4,198</u> | <u>1,892</u> | <u>1,668</u> | <u>5,654</u> | <u>164,280</u> |

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

12 Intangible assets (continued)

Management reviews business performance based on lines of business. Goodwill is allocated to, and subsequently tested for impairment at divisional level, (i.e. cash generating units ("CGUs") or group of CGUs).

The recoverable amount of the Company is determined as the higher of fair value less costs of disposal (FVLCD) and value in use (VIU), in accordance with the Company's accounting policy. For the year ended 31 December 2021, the recoverable amount of the Company was determined to be FVLCD.

FVLCD is considered to be a level 3 valuation in the fair value hierarchy, as it is not based on observable market data. It is derived based on Company's net assets and its future economic rights which is an average of a multiple of Revenue and a multiple of forecasted 2021 Adjusted EBITDA. The estimated costs of disposal, which are assumed based on market experience to be 1.5% (2020: 1.5%) of the fair value, are then deducted.

The carrying value of goodwill and intangible assets allocated to each CGU are as follows:

| | Goodwill | | Customer relationships | |
|----------|--------------|--------------|------------------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| | £m | £m | £m | £m |
| Advisory | 154.5 | 150.9 | 4.3 | 4.2 |
| | <u>154.5</u> | <u>150.9</u> | <u>4.3</u> | <u>4.2</u> |

In the current period, no impairment charge was recognised in the Retail CGU (2020: £26.1m), as this CGU continued to dispose of operations to the Advisory CGU and was fully impaired in the prior period. No impairment charge was recognised in the Advisory CGU (2020: £Nil).

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

13 Property, plant and equipment

| | Leasehold improvements £ 000 | Fixtures and fittings £ 000 | Motor vehicles £ 000 | Computer equipment £ 000 | Furniture and office equipment £ 000 | Total £ 000 |
|----------------------------------|------------------------------------|--------------------------------------|----------------------------|--------------------------------|--|----------------|
| Cost or valuation | | | | | | |
| At 1 January 2021 | 4,669 | 4,008 | 144 | 3,516 | 1,763 | 14,100 |
| Additions | 259 | 551 | - | 190 | 124 | 1,124 |
| Disposals | (402) | (4) | (22) | (44) | (11) | (483) |
| Transfers from intangible assets | - | 166 | - | 5 | 187 | 358 |
| At 31 December 2021 | <u>4,526</u> | <u>4,721</u> | <u>122</u> | <u>3,667</u> | <u>2,063</u> | <u>15,099</u> |
| Depreciation | | | | | | |
| At 1 January 2021 | 2,874 | 2,760 | 136 | 2,915 | 1,476 | 10,161 |
| Charge for the year | 502 | 537 | 4 | 247 | 164 | 1,454 |
| Disposals | (169) | (12) | (19) | (41) | (11) | (252) |
| Intercompany transfers | - | - | - | - | - | - |
| At 31 December 2021 | <u>3,207</u> | <u>3,285</u> | <u>121</u> | <u>3,121</u> | <u>1,629</u> | <u>11,363</u> |
| Carrying amount | | | | | | |
| At 31 December 2021 | <u>1,319</u> | <u>1,436</u> | <u>1</u> | <u>546</u> | <u>434</u> | <u>3,736</u> |
| At 31 December 2020 | <u>1,795</u> | <u>1,248</u> | <u>8</u> | <u>601</u> | <u>287</u> | <u>3,939</u> |

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

14 Leases

The Company applied IFRS 16 from 1 January 2019. The majority of the Company's leases are for UK properties and these leases typically run for a period of 5-10 years. Rent is normally fixed but may be subject to review every few years. Service charges and other contractual payments to the lessor are excluded from the measurement of the lease liability. VAT (including where it is irrecoverable) and business rates are also excluded from the measurement of the lease liability as they do not constitute a lease payment under IFRS 16.

The table below provides a schedule of the movements in the carrying amount of the right-of-use assets and corresponding lease liabilities held on the Statement of Financial Position during the year ended 31 December 2021.

| | Property £ 000 | Non-property £ 000 | Total £ 000 | Lease liabilities £ 000 |
|--------------------------------|-------------------|-----------------------|----------------|----------------------------|
| At 1 January 2021 | 12,588 | 617 | 13,205 | (14,690) |
| Additions | 1,253 | 354 | 1,607 | (1,605) |
| Terminations/modifications | (307) | 5 | (302) | 381 |
| Depreciation | (2,872) | (322) | (3,194) | - |
| Interest expense | - | - | - | (1,592) |
| Lease payments | - | - | - | 4,480 |
| At 31 December 2021 | <u>10,662</u> | <u>654</u> | <u>11,316</u> | <u>(13,026)</u> |
| Current lease liabilities | - | - | - | (3,989) |
| Non-current lease liabilities | - | - | - | (9,037) |
| Total lease liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>(13,026)</u> |

| | Property £ 000 | Non-property £ 000 | Total £ 000 | Lease liabilities £ 000 |
|--------------------------------|-------------------|-----------------------|----------------|----------------------------|
| At 1 January 2020 | 14,814 | 5 | 14,819 | (16,357) |
| Additions | 1,914 | 692 | 2,606 | (2,402) |
| Terminations/modifications | (409) | (15) | (424) | 1,064 |
| Depreciation | (3,602) | (65) | (3,667) | - |
| Impairment | (129) | - | (129) | - |
| Interest expense | - | - | - | (1,926) |
| Lease payments | - | - | - | 4,931 |
| At 31 December 2020 | <u>12,588</u> | <u>617</u> | <u>13,205</u> | <u>(14,690)</u> |
| Current lease liabilities | - | - | - | (4,037) |
| Non-current lease liabilities | - | - | - | (10,653) |
| Total lease liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>(14,690)</u> |

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

14 Leases (continued)

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

| | 2021 £ 000 | 2020 £ 000 |
|--|---------------|---------------|
| Expense relating to variable lease payments not included in the measurement of the lease liability (recognised within other operating expenses) | | |
| - Service charges | 1,074 | 1,105 |
| - Insurance rent | 78 | 108 |
| - Other | 1,443 | 2,110 |
| | <u>2,595</u> | <u>3,323</u> |

During the year ended 31 December 2021, the total cash outflows for leases was £4.5m (2020: £4.9m).

Maturity analysis

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

| | 2021 £ 000 | 2020 £ 000 |
|--------------------------|---------------|---------------|
| Within one year | 4,115 | 4,256 |
| In one to five years | 10,474 | 13,574 |
| In over five years | 1,648 | 2,840 |
| Total undiscounted value | <u>16,237</u> | <u>20,670</u> |

15 Cash and cash equivalents

| | 2021 £ 000 | 2020 £ 000 |
|------------------------|----------------|---------------|
| Own funds | 24,244 | 17,403 |
| Own funds - restricted | 37,042 | 12,096 |
| Fiduciary funds | 70,941 | 68,025 |
| | <u>132,227</u> | <u>97,524</u> |

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

Restricted own funds comprise:

| | 2021 £ 000 | 2020 £ 000 |
|-----------------|---------------|---------------|
| Deposit account | <u>37,042</u> | <u>12,096</u> |

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

16 Trade and other receivables

| | 2021 £ 000 | 2020 £ 000 |
|---|---------------|---------------|
| Other assets* | - | 193 |
| Total non-current trade and other receivables | - | 193 |
| | 2021 £ 000 | 2020 £ 000 |
| Trade receivables in relation to insurance transactions | 33,887 | 29,571 |
| Less: expected credit loss allowance | (847) | (552) |
| Net trade receivables | 33,040 | 29,019 |
| Receivables from other Group companies | 204,933 | 153,402 |
| Accrued income | 7,679 | 5,482 |
| Prepayments | 2,280 | 3,223 |
| Other receivables | 6,583 | 3,048 |
| Other assets* | 3,243 | 3,017 |
| Total current trade and other receivables | 257,758 | 197,191 |

*Cost to obtain of £0.1m (2020: £0.2m) and cost to fulfil of £3.1m (2020: £3.0m) and are included in other assets, which is presented within and included in trade and other receivables in the Statement of Financial Position.

Costs to fulfil include salary and other costs of customer-facing employees who undertake activities necessary to satisfy anticipated contracts with the customer. The net impact on profit or loss for the year ended 31 December 2021 was £0.1m (2020: £0.0m).

Costs to obtain include incremental fees paid to distributors (usually aggregator websites) for obtaining new business and are amortised, on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates, over the average life of the relationship with the customer. During the year ended 31 December 2020, amortisation recognised in the Statement of Comprehensive Income in relation to these assets was £0.1m (2020: £0.2m).

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

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

17 Other financial assets

| | 2021 £ 000 | 2020 £ 000 |
|---|---------------|---------------|
| Non-current financial assets | | |
| Financial assets at fair value through other comprehensive income | 77 | 77 |

The fair value through other comprehensive income financial assets are comprised of unlisted investments.

18 Trade and other payables

| | 2021 £ 000 | 2020 £ 000 |
|--|----------------|----------------|
| Non-current trade and other payables | | |
| Contingent consideration | 2 | 2 |
| Contract liabilities | 644 | 328 |
| | <u>646</u> | <u>330</u> |
| Current trade and other payables | | |
| Trade payables in relation to insurance transactions | 81,033 | 68,377 |
| Accrued expenses | 12,516 | 10,906 |
| Amounts due to other Group companies | 164,312 | 133,951 |
| Social security and other taxes | 93 | - |
| Other payables | 2,000 | 3,292 |
| Contingent consideration | 1,304 | 93 |
| Contract liabilities | 3,493 | 4,155 |
| | <u>264,751</u> | <u>220,774</u> |

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

Contract liabilities of £4.1m (2020: £4.5m) represent the Company's obligation to transfer services to a customer for which the Company has received the consideration (or the amount is due) from the customer. This includes deferred revenue related to post-placement performance obligations and other deferred income. During the year ended 31 December 2021, the Company recognised revenue amounting to £4.2m (2020: £4.3m) that was included in the opening balance of contract liabilities.

There are no liabilities as at 31 December 2021 which fall due for payment after 5 years.

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

19 Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charged to the Statement of Comprehensive Income of £3.4m (2020: £3.2m) represents contributions payable to the scheme by the Company at rates specified in the rules of the plan.

20 Commitments

Guarantees

As of 19 August 2021, the list of group company guarantors was reduced to Ardonagh Finco Plc and Ardonagh Services Limited as guarantors under both the £1.575 billion Senior Facilities Agreement and the \$500m Senior Unsecured Notes, with Ardonagh Midco 3 Plc being the Issuer of the private debt and a guarantor of the public notes. The Group has also provided limited recourse share charges in favour of the lenders in respect of the following group companies:

Arachas Corporate Brokers Limited

Ardonagh Advisory Holdings Limited

Ardonagh Specialty Holdings Limited

Atlanta Insurance Intermediaries Limited (formerly Swinton Group Limited)

Atlanta Investment Holdings 3 Limited

Nevada 5 Topco Limited

Paymentshield Limited

Price Forbes & Partners Limited

Advisory Insurance Brokers Limited (formerly Towergate Underwriting Group Limited)

Contingent liabilities

Contingent liabilities as at 31 December 2021 include a possible obligation arising from the actions of employees. The review is at an early stage and a significant settlement is not currently anticipated. Further information has not been provided so as to not compromise the review or the interests of the Company.

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

21 Provisions

| | E & O £ 000 | Onerous lease £ 000 | Dilapidations £ 000 | Other provisions £ 000 | Total £ 000 |
|---|----------------|---------------------------|------------------------|------------------------------|----------------|
| At 1 January 2021 | 1,211 | 114 | 3,701 | 1 | 5,027 |
| Additional provisions made in the period | 2,280 | 323 | 89 | - | 2,692 |
| Utilised during the period | (1,214) | (28) | (896) | - | (2,138) |
| Unused amounts reversed during the period | - | - | - | (1) | (1) |
| At 31 December 2021 | <u>2,277</u> | <u>409</u> | <u>2,894</u> | <u>-</u> | <u>5,580</u> |
| Non-current liabilities | <u>-</u> | <u>300</u> | <u>2,132</u> | <u>-</u> | <u>2,432</u> |
| Current liabilities | <u>2,277</u> | <u>109</u> | <u>762</u> | <u>-</u> | <u>3,148</u> |

Litigation matters

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

Dilapidations provision

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

Onerous lease provision

The Company provides for costs incurred on vacant properties, excluding rent costs (which are subject to lease accounting.)

Other provisions

Other provisions relate to a potential liability of the Company in relation to certain legacy costs.

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

22 Share capital

As at 31 December 2021, the Company has authorised ordinary share capital of £650.0m (2020: £650.0m).

Allotted, called up and fully paid shares

| | 2021 | | 2020 | |
|----------------------------|---------|---------|---------|---------|
| | No. 000 | £ 000 | No. 000 | £ 000 |
| Ordinary shares of £1 each | 557,261 | 557,261 | 557,261 | 557,261 |

The Company has one class of ordinary shares which have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

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/or incurred expenses on behalf of the related parties and recharged costs to them. The table below shows the transactions and balances with entities that form part of the Group but are not wholly owned by The Ardonagh Group Limited.

| | 2021 | 2021 | 2021 | 2020 | 2020 | 2020 |
|---|---------|---------------|--------------------------------------|---------|---------------|--------------------------------------|
| | Paid to | Received from | Receivable from/(due to) at year end | Paid to | Received from | Receivable from/(due to) at year end |
| | £ 000 | £ 000 | £ 000 | £ 000 | £ 000 | £ 000 |
| Towergate Financial (Group) Limited* | - | - | 2,040 | - | - | 2,040 |
| Towergate Financial (North) Limited* | - | - | 146 | - | - | 146 |
| Towergate Financial (East) Limited* | - | - | 209 | - | - | 209 |
| Towergate Financial (Scotland) Limited* | - | - | 222 | - | - | 222 |
| Towergate Financial (West) Limited* | - | - | 560 | - | - | 560 |
| Towergate Financial (London) Limited* | - | - | 94 | - | - | 94 |
| Oyster Risk Solutions Limited | 1 | (5,513) | (24,290) | - | 3,639 | (18,778) |
| Oyster Property Insurance Specialists Limited | - | (2) | 120 | - | - | 122 |
| Swinton (Holdings) Limited | 605 | (521) | (16) | - | - | (100) |
| Walk the Walk Solutions Limited | - | (10) | (10) | - | - | - |

*The balances due from Towergate Financial companies are deemed not recoverable and have been fully provided against in prior periods.

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

24 Parent and ultimate parent undertaking

The Company's immediate parent company is Ardonagh Advisory Holdings Limited and the ultimate parent company is Tara Topco Limited, (note 26).

The Group's majority shareholder and ultimate controlling party at 31 December 2021 is HPS Investment Partners LLC. The parent company of the largest group that prepares group financial statements at 31 December 2021 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 2021 that consolidate the Company is Ardonagh Midco 2 plc (incorporated in Great Britain, registered office address 2 Minster Court, London, EC3R 7PD). Financial statements for The Ardonagh Group Limited and Ardonagh Midco 2 plc are available on request from:

2 Minster Court
Mincing Lane
London
EC3R 7PD

25 Prior period adjustment

The financial statements have been restated to include the impact of a misclassification of revenue where certain amounts reported as a deduction to commission and fees actually meet the definition of costs to obtain a contract under IFRS 15 and have therefore been reclassified as an operating expense. The amount reclassified from Commission and fees to Other operating costs is £3,692,632 for the year ended 31 December 2020. As a result of the adjustment, commission and fees increased by £3,692,632 and other operating costs were increased by £3,692,632 and as such, profit is unchanged by the prior period adjustment.

26 Subsequent events

Following the satisfaction of closing conditions on 31 May 2022, Ardonagh has obtained a significant new equity investment into the Group led by existing long-term shareholders MDP and HPS, alongside new co-investors through accounts managed by MDP and HPS. Under the terms of the transaction, funds affiliated with MDP have increased their shareholding in the Group, and HPS has reinvested in the Group. Co-investors, including a wholly owned subsidiary of Abu Dhabi Investment Authority and several other large global institutions, have also acquired more than USD1 billion equity through accounts managed by MDP and HPS as part of the transaction, which gives an enterprise valuation for Ardonagh of USD7.5 billion.

The new equity investment has resulted in The Ardonagh Group Limited merging into a newly created company Tara Topco Limited ('Tara') on 31 May 2022 following which the Ardonagh Group activities became overseen by a newly created subsidiary of Tara from 1 June 2022, Ardonagh Group Holdings Limited.