Registration number: 04043759

Advisory Insurance Brokers Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2022

Advisory Insurance Brokers Limited

Contents

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 2022

The directors present their strategic report for the year ended 31 December 2022 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. The Company is part of Ardonagh Group Holdings 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 £224.7m (2021:£220.6m) and profit before tax of £41.4m (2021:£55.2m) for the year. At 31 December 2022 the Company had net assets of £226.4m (2021:£288.2m). The going concern note (part of accounting policies) on page 19 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 2021 and 2022 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 consistent with s.172 Duties.
.Board oversight and governance are discharged by the Advisory Platform and Segment Boards. The Platform Board considers and approves acquisitions and disposals, sets integration/synergy plans and recommends investments over a set limit to the Ardonagh Group Board for approval. The Advisory Platform Board has constituted a Remuneration Committee and an Audit Committee. The Remuneration Committee approves matters delegated to them by the Group Remuneration Committee and recommend matters that require approval by the Group Remuneration & Nominations Committee. The Audit Committee ensures robust oversight over prudential and financial risk and Internal Audit plan delivery.
The performance and delivery of annual and integration plans of the underlying Broking and MGA businesses within the Advisory Platform are subject to detailed oversight by our Insurance Broking and MGA Segment Boards together with robust conflicts of interest management. The Segment Boards also discharge rigorous oversight over the management of risk. Given the respective size of the businesses, the Insurance Broking Segment Board has constituted a Risk Committee that reports back to the Board.

The day to day Board level governance over the business of Advisory Insurance Brokers Limited is undertaken by the Board of Ardonagh Advisory Holdings Limited (the Insurance Broking Segment Board), of which 2 directors of the Company – Mr Worrell and Mr Williams - are members. In addition, Mr Tuplin provides regular updates to the Board meetings

All our Boards and Committees operate under written terms of reference and a delegated authority framework set by the Ardonagh Group. Our Boards and Committees are supplied with regular, comprehensive and timely information in a form and quality that enables them to discharge their duties effectively. Below is an explanation of how the Advisory Platform and Segment Boards engage with our stakeholders and how their views inform Board decision making.

Shareholders
There are two shareholder representative directors on the Advisory Platform Board who articulate their views during Board discussions.

Employees
Our employees are central to the success of Ardonagh Advisory and our remuneration structures are designed to reward good performance at the individual and business level and support our values. In addition, the business focusses on 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 Advisory businesses or businesses across the wider Ardonagh Group.

During 2022 Ardonagh Advisory invested in its employees with 779,912 hours of non-mandatory training completed, the commencement of an Emerging Careers Apprenticeship Programme, 220 employees obtained their Chartered Insurance Institute qualifications, and the business is partnering with a university to enable future leaders to study for an MBA Senior Leader Level 7 qualification via virtual workshops.

Advisory have adopted an Equality and Diversity Policy and our Boards believes that equality, diversity and inclusion strengthen the Advisory business, contribute to long-term performance, and attract key talent. The Advisory Insurance Broking Segment Board has taken time to consider management actions and initiatives regarding diversity and inclusion, and they support and monitor management actions to increase the proportion of senior leadership roles held by women and other under-represented groups across Advisory. During 2022 Ardonagh Advisory established LGBTQ+ and disability employee forums, delivered 5 Diversity, Equity & Inclusion and wellbeing webinars with guest speakers. Advisory is working with Progress Together to drive socio-economic diversity at senior levels of the business.

An annual Groupwide employee pulse survey has been conducted since 2019. 74% of Advisory employees participated in the 2022 pulse survey. Advisory achieved an average score of 7.4 (out of 10) across all questions, in line with the 7.5 average score across the Ardonagh Group. The survey highlighted positive trends regarding creating a sense of belonging and purpose, fostering cultures of inclusion and respect, and building strong team and line manager relationships. The survey also highlighted that there is work to do on recognition and inter-department/brand collaboration.

Customers
Seeking good customer outcomes is central to the success of the business. Management continue to seek customer views and improve how we track our customers' perceptions of our businesses and bring the voice of our customers into Board reporting. Our products and services are periodically reviewed to ensure they continue to meet the needs of our customers. Advisory Insurance Brokers Limited is proud to have retained the Gold Investors in Customers accreditation in 2022.

In response to the cost-of-living crisis, the Board has reviewed and enhanced how we support our vulnerable customers, including dedicated call lines staffed by colleagues who have received specific training and been given tools and solutions to help our customers.

In preparation for the new Consumer Duty launched by the FCA, the Advisory Insurance Broking Segment Board selected an independent non-executive director to act as a Consumer Duty Champion who regularly meets with management to discuss and challenge performance against customer related metrics and helps facilitate the voice of the customer to be heard in the Boardroom.

Regulatory relationships
The Board prioritises positive, open and transparent engagement with all our regulatory relationships. Our directors receive regular updates on regulatory interactions and new regulatory rules and guidance and how they impact our businesses. We participate in thematic reviews and believe that strong regulatory relationships are a source of competitive advantage.

Insurers
Our insurance partners are fundamental to the success of the business. Senior leaders regularly meet with key insurance partners, supported by increasingly sophisticated data, to discuss performance and ways in which we can continue to meet customers' needs and these developments are reported to our Boards.

Our Suppliers
Management aims to treat all our suppliers fairly and to pay them in accordance with contractual terms. 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. Management ensures appropriate due diligence is performed on key suppliers before they are engaged. We require that our suppliers have ESG and modern slavery policies that are at least as stringent as our own.

Community and Environment
Ardonagh contributes to the communities in which we operate through the Ardonagh Charitable Trust. Advisory staff undertook a range of charitable activities on Ardonagh's annual Give Back Day and throughout 2022 to support a variety of local causes. Further details on how we interact with communities are set out in the Sustainability Report available on the Ardonagh website at www.ardonagh.com.
Climate-related risks and opportunities have grown in importance for us as an organisation. As a part of the Group with insurance intermediaries, understanding and managing risk (especially insurance transfer risk) is at the heart of what the Company does, and the Company recognise that climate change poses material long-term impacts for our clients, wider stakeholders and therefore ultimately, our business. The action that the Group is taking in respect to climate change is set out in the Ardonagh Group Sustainability Report that is available on the Ardonagh website at www.ardonagh.com.

Case Study in considering stakeholders in decision making
Our Advisory Platform Board considered the new UK Consumer Duty rules and how they will impact our businesses and our stakeholders, as outlined out below

Our Boards
The Platform Board considered and approved management's implementation plans to ensure compliance with the new Consumer Duty rules by the regulatory deadline. The Board received training and the previously mentioned Consumer Duty champion on the Board received additional briefings and training to ensure they can effectively discharge oversight and challenge. The Advisory Insurance Broking Segment Board will receive annual reviews in order to evidence that products and services comply with the new Consumer Duty.

Colleagues
Our directors received assurances that relevant staff will receive training on the new Consumer Duty rules and regular communications are sent out to staff to ensure awareness of the new rules and support the embedding of the Consumer Duty requirements. Our Boards regularly consider the culture within our businesses and ensure risk frameworks and remuneration policies help drive the right conduct and behaviours.

Customers
Our customers are at the heart of our decision making and our Boards considered how the business will ensure 'good customer outcomes' will be achieved and evidenced and how the business treats vulnerable customers. Our Boards have tasked management to build new metrics and reporting to enable compliance with the new rules to be measured and monitored. Management is also seeking ways to enhance customer communications in light of the new rules, and these enhancements will be subject to Board oversight and challenge.

Insurers
Our Insurance Broking Segment Board considered how the business will work with our insurer partners in order to comply with the new Consumer Duty rules, in particular how 'fair value' assessments will be conducted.

Regulatory
Our Insurance Broking Segment Board discharges oversight and challenge to ensure the business complies with regulatory deadlines set out in the new Consumer Duty rules. In addition, our Risk Committee consider interactions with the FCA to ensure our regulatory relationship is constructive, transparent and cooperative.

Shareholders
Our shareholder representative directors report back to the Group Board on progress and the impact of compliance with the new Consumer Duty rules on the business.

Outlook
Following further rationalisation of trade through a series of acquisitions in 2021 and 2022, 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.

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

	Unit	2022	2021
Gross written premium (GWP) brokered	£m	911.2	864.6
Revenue	£m	224.7	220.6
Administrative expenses	£m	181.5	162.7
Revenue/GWP ratio	%	24.7	25.5
Administrative expenses/Revenue ratio	%	81.0	73.7

The Revenue/GWP ratio has decreased in the year from 25.5% in 2021 to 24.7% in 2022, the reduction driven by the commercial pressure on commission rates against a backdrop of rising premiums.

Administrative expenses have increased from £162.7m in 2021 to £181.5m in 2022. This has led to an increase in the administrative expense/total income ratio.

Non-financial key performance indicators include staffing levels which have shown a 4.8% 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 Platform finance and treasury teams undertake cash flow forecasting and closely monitors and manages the Platform and Company's cash balances. Immediate liquidity is available from the committed revolving credit facility (£191.5m available at 31 December 2022) should any short-term financing be required.

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.

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 has a significant UK presence, and our UK businesses are 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 Group. In 2022, further changes to the UK regulation of general insurance have taken effect, notably in relation to: pricing and value; operational resilience and a duty to achieve good outcomes for consumers. We have a strong track record of managing regulatory change and 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 Group's competitors, this is anticipated to give rise to both risks and opportunities for the Group. Moreover, outside of our Retail (consumer) segment, the implications are not significant.
If we fail to comply with regulatory requirements, we may not be able to conduct our business or may be subject to substantial fines or other sanctions that may have an adverse effect on our results of operations and financial condition. The company operates a robust risk and control framework and closely monitors changes to the regulatory environment.

Climate Risk
The Company acknowledges that there are risks posed by climate change that could potentially have impacts on our products, client needs, revenues and costs and it intends to integrate further climate-related considerations into our financial planning processes from 2023 onwards. As an insurance intermediary, we recognise our operations will evolve as climate change influences manifest themselves through changing business patterns. We continue to seek to optimise our businesses and operations, which includes identifying and pro-actively managing climate-related opportunities and risks.

Litigation
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.
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 (see Provisions note 21 that shows the total provision held for litigation matters).

Relationships with key suppliers
The Company is an insurance intermediary and depends on insurance companies providing it with insurance underwriting capacity and products. If third-party brokers and other intermediaries do not provide customers with competitive levels of service, or if a significant number of them choose not to distribute our products, the level of written premiums we place for customers may decline. A withdrawal by insurance companies of underwriting capacity or products in circumstances where no replacement underwriting capacity or products can be procured, or an excessive increase in the rates charged by an insurance company, would impact our business performance.
Capacity, business performance and distribution are kept under proactive management by the Company, as appropriate for its operations and needs.

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.

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 wellbeing of colleagues and operational resilience.

Approved by the Board on 30 May 2023 and signed on its behalf by:

Rob Worrell

R L Worrell
Director

Advisory Insurance Brokers Limited

Directors' Report for the Year Ended 31 December 2022

The directors present their annual report and the audited financial statements for the year ended 31 December 2022.

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

J Thelwell (resigned 1 March 2022)

R Tuplin (appointed 19 May 2022)

Dividends
The directors recommend an interim dividend payment of £80m to be made in respect of the financial year ended 31 December 2022 (2021: £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 2022, 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 2022 Annual Report and Financial Statements of Ardonagh Group Holdings Limited.

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 (2021: £Nil).

Corporate governance
For the year ended 31 December 2022, 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.

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 45.

Advisory Insurance Brokers Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

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 30th May 2023 and signed on its behalf by:

Rob Worrell

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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.

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 2022 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 25.

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.

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.

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.

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.

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Jamie Weisfeld , ACA **(Senior Statutory Auditor)**
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

Date:30th May 2023

Advisory Insurance Brokers Limited

Statement of Comprehensive Income for the Year Ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Revenue	4	224,728	220,593
Administrative expenses		(181,538)	(162,660)
Operating profit		43,190	57,933
Impairment of financial assets	16	(312)	(717)
Finance income		15	-
Finance costs		(1,478)	(1,996)
Profit **before tax**		41,415	55,220
Income Tax	10	792	(3,711)
Profit for the year		42,207	51,509

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

Advisory Insurance Brokers Limited

(Registration number: 04043759)
Statement of Financial Position as at 31 December 2022

	Note	2022 £ 000	2021 £ 000
Non-current assets			
Intangible assets	11	169,400	166,503
Property, plant and equipment	12	3,712	3,736
Right-of-use assets	13	9,035	11,316
Financial assets at fair value through OCI	17	77	77
Deferred tax assets	10	28,522	18,441
		210,746	200,073
Current assets			
Cash and cash equivalents	15	163,333	132,227
Trade and other receivables	16	192,604	257,758
Tax assets	10	1,259	-
		357,196	389,985
Current liabilities			
Trade and other payables	18	(317,736)	(264,751)
Lease liabilities	13	(4,039)	(3,989)
Tax liabilities		-	(17,858)
Provisions	21	(5,334)	(3,148)
		(327,109)	(289,746)
Net current assets		30,087	100,239
Total assets less current liabilities		240,833	300,312
Non-current liabilities			
Lease liabilities	13	(6,669)	(9,037)
Provisions	21	(5,198)	(2,432)
Trade and other payables	18	(2,519)	(646)
		(14,386)	(12,115)
Net assets		226,447	288,197
Capital and reserves			
Share capital	22	196,621	557,261
Other reserves		293	293
Retained profits		74,704	(248,151)
Merger reserves		(45,171)	(21,206)
Total equity		226,447	288,197

Approved by the Board on 30th May and signed on its behalf by:

Rob Worrell

R.L. Worrell
Director

The notes on pages 18 to 45 form an integral part of these financial statements.

Advisory Insurance Brokers Limited

Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital £ 000	Merger reserves £ 000	Other reserves £ 000	Retained earnings/ (losses) £ 000	Total £ 000
At 1 January 2022	557,261	(21,206)	293	(248,151)	288,197
Capital reduction	(360,640)	-	-	360,640	-
Net profit for the year	-	-	-	42,207	42,207
Share-based payment	-	-	-	8	8
On business combinations	-	(23,965)	-	-	(23,965)
Dividends	-	-	-	(80,000)	(80,000)
At 31 December 2022	196,621	(45,171)	293	74,704	226,447

On 11 October 2022, the Company reduced its share capital from £557.3m to £196.6m by cancelling and extinguishing 360.6m of the issued 557.3m Ordinary shares of £1 each. The amount by which the share capital was reduced was credited to retained earnings.

In 2022, the Company acquired trade and assets from Finch Commercial Insurance Brokers Ltd, all companies under common control, resulting in the recognition of a £24m merger reserve during the year ended 31 December 2022 (see note 9)

	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
Share-based payment	-	-	-	41	41
Net profit for the year	-	-	-	51,509	51,509
On business combinations and discontinued operations	-	(2,710)	-	-	(2,710)
At 31 December 2021	557,261	(21,206)	293	(248,151)	288,197

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.

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 2022 were authorised for issue by the Board on 30 May 2023 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 2022 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 amendment where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of 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 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;
- 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;

2 Accounting policies (continued)

- 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

The financial statements of the Company have been prepared on a going concern basis. At 31 December 2022 the Company had net assets of £226.4m (2021: £288.2m) and net current assets of £29.4m (2021: £100.2m). The net current assets include amounts receivable from related parties of £131.6m (2021: £204.9m) and amounts due to related parties of £172.0m (2021: £164.3m). The Company reported a profit before tax of £41.4m (2021: £55.2m).

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 2023 and 2024.
- 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.

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.
- Interest costs are modelled using current forward interest and FX rates (other than where interest rates on debt have been fixed through interest rate swaps.

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 2023 and 2024.
- Deterioration in base case cash conversion rates over and above the shortfalls in income.
- An inflationary cost increase of 2% over the base case assumptions.
- Mitigating actions within management control including delayed capital expenditure, a reduction in discretionary spend and measured reductions in employee headcount and remuneration.

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 reduction.

2 Accounting policies

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.
The Company continues to monitor the risk of cyber-attacks, but the Company has not identified any significant security risks during the period ended 31 December 2022

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.

2 Accounting policies

Leases

Right-of-use assets

The Group 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 Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group 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.

Subleases

The Group does not undertake arrangements as a lessor other than as a sublessor. When the Group is a sublessor, it classifies the sublease as a finance lease if the sublease transfers substantially all the risks and rewards incidental to ownership of the asset that is the subject of the sublease, namely the right-of-use asset arising from the head lease. The sublease is otherwise classified as an operating lease.

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.

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.

Intellectual property

Intellectual property assets include a bespoke database and online platform. These 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.

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.

2 Accounting policies (continued)

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.

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

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

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

Share-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 Group 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.

2 Accounting policies (continued)

Commission and fees
Revenue includes commission and fees receivable by the Group. 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 Group charges fees and retains a portion of the policy premiums as commission. Premiums are typically collected on an annual basis, at or near contract inception (which could be up to 60 days from contract inception). In some cases, customers are offered the option to pay in instalments or are directed to a third-party premium credit provider for which the Group is entitled to additional consideration that is recognised at policy inception. Some of the policies are rolling until the customer cancels the policy.

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

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

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.

2 Accounting policies (continued)

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.

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.

2 Accounting policies (continued)

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.

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.

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.

2 Accounting policies (continued)

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.

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.

2 Accounting policies (continued)

Employee benefits
Pension costs
The Company operates a 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.

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 judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying accounting policies

On 5 December 2022, the Company acquired trade and assets from Finch Commercial Insurance Brokers Ltd, all companies under common control, resulting in the recognition of a £24m merger reserve during the year ended 31 December 2022. Consideration was £24m, recognising the value of trade and assets under the terms of the transaction. The Company acquired the renewal rights of a portfolio from a company under common control. Judgement is required to determine if acquisition accounting will be applied or not, which includes consideration of the wider transaction, if there has been a change in control or not, and who is the acquirer. Acquisition accounting was not applied since all companies are under common control. Being common control transactions, these are outside the scope of IFRS 3.

4 Revenue

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

	2022 £ 000	2021 £ 000
Commission and fees	212,592	209,768
Profit commission arrangements	5	229
Trading deals	8,305	7,941
Other revenue	3,826	2,655
	224,728	220,593

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

	2022 £ 000	2021 £ 000
UK	223,826	218,830
Europe	677	1,504
Rest of world	225	259
	224,728	220,593

5 Operating profit

Arrived at after charging/(crediting):

	2022 £ 000	2021 £ 000
Auditor's remuneration: audit of these financial statements	539	436
Depreciation expense	1,433	1,454
Depreciation on right-of-use assets	3,340	3,194
Amortisation and other amounts written off intangibles	5,941	5,594
Loss on disposal of property, plant and equipment	370	224
Loss/(Gain) on disposal of intangible assets	261	(9)
Management charges paid to parent	4,865	20,678

Management fees of £4.9m (2021: £20.7m) 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

	2022 £ 000	2021 £ 000
Finance income		
Interest income on bank deposits	11	-
Dividend income	4	-
Total finance income	15	-
Finance costs		
Unwinding of discount on financial liabilities	(1,402)	(1,592)
Unwinding of discount on provisions	(9)	-
Interest imputed on liabilities	(54)	(16)
Other finance costs	(13)	(388)
Total finance costs	(1,478)	(1,996)
Net finance costs	(1,463)	(1,996)

7 Salaries and associated costs

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

	2022 £ 000	2021 £ 000
Wages and salaries	97,341	88,644
Social security costs	10,995	9,410
Pension costs, defined contribution scheme	3,949	3,428
Redundancy costs	81	123
Share-based payment	8	41
	112,374	101,646

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

	2022 No	2021 No
Administration	912	801
Sales	968	965
Management	403	412
	2,283	2,178

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2022 £ 000	2021 £ 000
Aggregate emoluments	1,807	1,742
Company contributions to money purchase pension scheme	26	-
	1,833	1,742

The aggregate emoluments of the highest paid director were £0.7m (2021: £0.7m) and company pension contributions of £12k (2021: £Nil) were made to a money purchase scheme on their behalf.

Retirement benefits are accruing in money purchase schemes for two directors.

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

9 Business combinations

The Company has been the transferee in acquiring the trade and assets from Finch Commercial Insurance Brokers Limited, a fellow Group company on 5 December 2022. Consideration was £24m, recognising the value of trade and assets under the terms of the transaction. 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.

	Finch Commercial Insurance Brokers Limited £000
Net liabilities	-
Consideration payable	23,965
Merger Reserves for year	23,965

10 Income tax

	2022 £ 000	2021 £ 000
The Company's tax charge is the sum of the total current and deferred tax expense.		
Current taxation		
UK corporation tax	8,841	10,004
UK corporation tax adjustment to prior periods	448	(165)
Total current taxation	9,289	9839
Deferred taxation		
Arising from origination and reversal of temporary differences	(8,090)	(3,461)
Adjustments in respect of prior periods	-	623
Effect of tax rate change on opening balance	(1,991)	(3,290)
Total deferred taxation	(10,081)	(6,128)
Tax (credit)/expense in the Statement of Comprehensive Income	(792)	3,711

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.

	2022 £ 000	2021 £ 000
Profit before tax	41,415	55,220
Corporation tax at standard rate of 19% (2021: 19%)	7,869	10,492
Adjustments to tax charge in respect of previous periods - current tax	448	(165)
Adjustments to tax charge in respect of previous periods - deferred tax	-	623
Expenses not deductible for tax purposes	42	35
Fixed assets differences	260	1,907
Deferred tax not recognised	(6,750)	(2,114)
Remeasurement of deferred tax for changes in tax rates	(1,991)	(6,293)
Income not taxable for tax purposes	(670)	(503)
Transfers - deferred tax	-	(271)
Income tax	(792)	3,711

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 will reverse.

10 Income tax (continued)

Deferred tax

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

	Asset/(Liability) £ 000
2022	
Accelerated tax depreciation	19,718
Provisions	-
Tax losses carry-forwards	9,552
Other items	(748)
	28,522

	Asset/(Liability) £ 000
2021	
Accelerated tax depreciation	13,742
Provisions	-
Tax losses carry-forwards	5,754
Other items	(1,055)
	18,441

Deferred tax movement during the year:

	At 1 January 2022 £ 000	Recognised in income £ 000	At 31 December 2022 £ 000
Accelerated tax depreciation	13,742	5,976	19,718
Provisions	-	-	-
Tax losses carry-forwards	5,754	3,798	9,552
Other items	(1,055)	307	(748)
Net tax assets	18,441	10,081	28,522

10 Income tax (continued)

Deferred tax movement during the prior 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)	-	5,754
Other items	(798)	13	(271)	(1,055)
Net tax assets/(liabilities)	12,583	6,129	(271)	18,441

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.

	2022 £ 000	2021 £ 000
Accelerated tax depreciation	-	4,680
Provisions	292	102
Losses	292	4,340
Unrecognised deferred tax assets	584	9,122

11 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 2022	390,719	1,366	27,909	3,585	1,756	16,431	441,766
Additions	-	-	-	-	6,667	785	7,452
Disposals	-	(26)	(674)	(14))	(572)	(1,589)	(2,875)
Transfers between asset classes	-	-	-	(27)	(7,656)	7,683	-
Transfers to property, plant and equipment	-	-	-	-	(505)	-	(505)
Transfer from group entities	-	-	-	-	2,762	4,099	6,861
At 31 December 2022	390,719	1,340	27,235	3,544	2,452	27,409	452,699
Amortisation							
At 1 January 2022	236,262	1,363	23,572	2,051	-	12,015	275,263
Amortisation charge	-	-	1,264	704	-	3,973	5,941
Amortisation eliminated on disposals	-	(25)	(676)	(14)	-	(1,240)	(1,955)
Transfer from group entities	-	-	-	-	-	4,050	4,050
At 31 December 2022	236,262	1,338	24,160	2,741	-	18,798	283,299
Carrying amount							
At 31 December 2022	154,457	2	3,075	803	2,452	8,611	169,400
At 31 December 2021	154,457	3	4,337	1,534	1,756	4,416	166,503

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 2022, 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 2022 EBITDA. The estimated costs of disposal, which are assumed based on market experience to be 1.5% (2021: 1.5%) of the fair value, are then deducted.

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

11 Intangible assets (continued)

	Goodwill		Customer relationships	
	2022	**2021**	**2022**	**2021**
	£m	**£m**	**£m**	**£m**
Advisory	154.5	154.5	3.0	4.3
	154.5	154.5	3.0	4.3

No impairment charge was recognised in the Advisory CGU (2021: £Nil).

12 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 2022	4,526	4,721	122	3,667	2,063	15,099
Additions	213	221	-	305	140	879
Disposals	(1,080)	(575)	(19)	(1,232)	(438)	(3,344)
Transfer from group entities	94	32	-	2,769	26	2,921
Transfers from intangible assets	-	-	-	505	-	505
At 31 December 2022	3,753	4,399	103	6,014	1,791	16,060
Depreciation						
At 1 January 2022	3,207	3,285	121	3,121	1,629	11,363
Charge for the year	431	530	-	297	175	1,433
Disposals	(726)	(571)	(18)	(1,212)	(438)	(2,965)
Transfer from group entities	29	19	-	2,452	17	2,517
At 31 December 2022	2,941	3,263	103	4,658	1,383	12,348
Carrying amount						
At 31 December 2022	812	1,136	-	1,356	408	3,712
At 31 December 2021	1,319	1,436	1	546	434	3,736

Advisory Insurance Brokers Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

13 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 2022.

	Property £ 000	Non-property £ 000	Total £ 000	Lease liabilities £ 000
At 1 January 2022	10,662	654	11,316	(13,026)
Additions	2,675	451	3,126	(2,882)
Terminations/modifications	(2,054)	(13)	(2,067)	1,655
Depreciation	(2,885)	(455)	(3,340)	-
Interest expense				(1,402)
Lease payments				4,947
At 31 December 2022	8,398	637	9,035	(10,708)
Current lease liabilities				(4,039)
Non-current lease liabilities				(6,669)
Total lease liabilities				(10,708)

	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	10,662	654	11,316	(13,026)
Current lease liabilities				(3,989)
Non-current lease liabilities				(9,037)
Total lease liabilities				(13,026)

13 Leases (continued)

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

	2022 £ 000	2021 £ 000
Expense relating to variable lease payments not included in the measurement of the lease liability (recognised within other operating expenses)		
- Service charges	1,184	1,074
- Insurance rent	77	78
- Other	1,184	1,443
	2,445	2,595

During the year ended 31 December 2022, the total cash outflows for leases was £5.1m (2021: £4.5m).

Maturity analysis

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

	2022 £ 000	2021 £ 000
Within one year	3,831	4,115
In one to five years	7,587	10,474
In over five years	784	1,648
Total undiscounted value	12,202	16,237

14 Dividends

Amounts recognised as distributions to equity holders in the year:	2022 £ 000	2021 £ 000
Interim dividend for the year ended 31 December 2022 £0.40 per share (2021:Nil)	80,000	-

15. Cash and cash equivalents

	2022 £ 000	2021 £ 000
Own funds	19,233	24,244
Own funds - restricted	37,031	37,042
Fiduciary funds	107,069	70,941
	163,333	132,227

15 Cash and cash equivalents (continued)

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:

	2022 £ 000	2021 £ 000
Deposit account	37,031	37,042

16 Trade and other receivables

	2022 £ 000	2021 £ 000
Trade receivables in relation to insurance transactions	39,300	33,887
Less: expected credit loss allowance	(631)	(847)
Net trade receivables	38,669	33,040
Receivables from other Group companies	131,604	204,933
Accrued income	5,577	7,679
Prepayments	3,327	2,280
Other receivables	10,012	6,583
Other assets*	3,415	3,243
Total current trade and other receivables	192,604	257,758

*Cost to obtain of £0.1m (2021: £0.1m) and cost to fulfil of £3.4m (2021: £3.1m) 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 2022 was £0.1m (2021: £0.1m).

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 2022, amortisation recognised in the Statement of Comprehensive Income in relation to these assets was £0.1m (2021: £0.1m).

The directors believe that the intercompany receivables are recoverable. The balances are repayable on demand.

17 Other financial assets

	2022 £ 000	2021 £ 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

	2022 £ 000	2021 £ 000
Non-current trade and other payables		
Contingent consideration	-	2
Contract liabilities	143	143
Other payables	2,376	501
	2,519	646
Current trade and other payables		
Trade payables in relation to insurance transactions	121,352	81,033
Accrued expenses	13,339	12,516
Amounts due to other Group companies	171,971	164,312
Social security and other taxes	3,832	93
Outstanding defined contribution pension costs	970	-
Other payables	2,436	2,000
Contingent consideration	-	1,304
Contract liabilities	3,836	3,493
	317,736	264,751

Amounts due to other Group companies are payable on demand.

Contract liabilities of £3.8m (2021: £4.1m) 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 2022, the Company recognised revenue amounting to £3.5m (2021: £4.2m) that was included in the opening balance of contract liabilities.

There are no liabilities as at 31 December 2022 which fall due for payment after 5 years.

19 Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charged to the Statement of Comprehensive Income of £3.9m (2021: £3.4m) represents contributions payable to the scheme by the Company at rates specified in the rules of the plan. The total outstanding liability of the pensions costs as at 31 December 2022 was £970k (2022:£Nil).

20 Commitments

Guarantees

The following list of companies are those Group companies that are the Guarantors under both the £1.575 billion Senior Facilities Agreement and the $500m Senior Unsecured Notes:

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

Ardonagh Specialty Limited

Advisory Insurance Brokers Limited (formerly Towergate Underwriting Group Limited)

21 Provisions

	E & O £ 000	Onerous lease £ 000	Dilapidations £ 000	Other provisions £ 000	Total £ 000
At 1 January 2022	2,277	409	2,894	-	5,580
Additional provisions made in the period	2,857	125	15	4,400	7,397
Utilised during the period	(1,098)	(74)	(329)	(105)	(1,606)
Unused amounts reversed during the period	-	(262)	(577)	-	(839)
At 31 December 2022	4,036	198	2,003	4,295	10,532
Non-current liabilities	-	36	1,422	3,740	5,198
Current liabilities	4,036	162	581	555	5,334

E & O Provision

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 include an obligation arising from the actions of employees. Investigations are ongoing and further information has not been provided to ensure the process is not compromised.

22 Share capital

As at 31 December 2022, the Company has authorised ordinary share capital of £650.0m (2021: £650.0m).

Allotted, called up and fully paid shares

	2022		2021	
	No. 000	**£ 000**	**No. 000**	**£ 000**
Ordinary shares of £1 each	196,621	196,621	557,261	557,261

On 11 October 2022, the Company reduced its share capital from £557.3m to £196.6m by cancelling and extinguishing 360.6m of the issued 557.3m Ordinary shares of £1 each. The amount by which the share capital was reduced was credited to retained earnings.

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.

23 Related party transactions

Business was conducted, on an arm's length basis, within Ardonagh Group Holdings 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 Company has been the transferee in acquiring the trade and assets from Finch Commercial Insurance Brokers Limited, a fellow Group company (see note 9 for more information). The table below shows the transactions and balances with entities that form part of the Group but are not wholly owned by Ardonagh Group Holdings Limited.

	2022 Paid to £ 000	2022 Received from £ 000	2022 Receivable from/(due to) at year end £ 000	2021 Paid to £ 000	2021 Received from £ 000	2021 Receivable from/(due to) at year end £ 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	19,830	24,486	(28,941)	1	(5,513)	(24,290)
Oyster Property Insurance Specialists Limited	-	120	-	-	(2)	120

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

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 Company.

The Group's majority shareholder and ultimate controlling party at 31 December 2022 is Madison Dearborn Partners LLC. The parent company of the largest group that prepares group financial statements at 31 December 2022 that consolidate the Company is Ardonagh Group Holdings Limited (incorporated in Great Britain, registered office address 2 Minster Court, London, EC3R 7PD). The parent company of the smallest group that prepares group financial statements at 31 December 2022 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 Ardonagh Group Holdings Limited and Ardonagh Midco 2 plc are available on request from:

2 Minster Court
Mincing Lane
London
EC3R 7PD

25 Subsequent events

As part of the commitment to the Financial Conduct Authority, the Company has continued the rationalisation of legal entities within the Advisory platform, resulting in an improved corporate governance structure. In April 2023, the Company acquired trade and assets of the fellow subsidiaries CB Hughes, Headley Group, Lockyers and BM Property insurance Services.