

Registration number: 05044510

Broker Network Holdings Limited

Annual Report and Unaudited Financial Statements

for the Year Ended 31 December 2021

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Broker Network Holdings Limited

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Broker Network Holdings Limited

Company Information

Directors	D C Ross D Cougill
Company secretary	Ardonagh Corporate Secretary Limited
Registered office	Hexagon House Grimbald Crag Close St James Business Park Knaresborough North Yorkshire HG5 8PJ United Kingdom

Broker Network Holdings Limited

Strategic Report for the Year Ended 31 December 2021

The directors present their Strategic Report for the year ended 31 December 2021 for Broker Network Holdings Limited ("the Company"). The Strategic Report provides a review of the business for the financial year and describes how the directors manage risks. The report outlines the developments and performance of the Company during the financial year, the position at the end of the year and discusses the main trends and factors that could affect the future. Following significant new equity investment as disclosed in note , the Company is now part of a new holding company structure. Prior to this and as at 31 December 2021, the Company was part of The Ardonagh Group Limited ("the Group").

Principal activity and business review

The principal activity of the Company is that of a non-trading holding company.

The results for the Company show turnover of £Nil (2020: £Nil) and profit before tax of £Nil (2020: £9) for the year. At 31 December 2021 the Company had net assets of £50,696,598 (2020: £50,696,353). The Going concern note (part of accounting policies) on page 10 sets out the reasons why the directors continue to believe that the preparation of the financial statements on the going concern basis is appropriate.

Outlook

The directors do not expect there to be any changes in the nature of the business in 2022.

Key performance indicators

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

The key performance indicator for the Company is the carrying value of its subsidiaries, as these are the main assets of the Company. The performance of the subsidiary undertakings will determine whether an impairment to the carrying value is required and this is tested on a regular basis. An impairment charge of £Nil (2020: £8,950,748) was recognised in the year.

Principal risks and uncertainties

The principal risks and their mitigation are as follows:

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 Group has demonstrated its resilience from an economic shock and demonstrated operational and financial resilience in response to the Covid-19 pandemic.

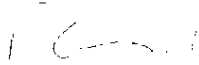
The Group has sufficient liquidity to withstand a period of potential poor trading resulting from a sustained economic decline, although this has not materialised to date and the Group would respond to income declines by seeking cost savings. The Group had available liquidity of £688.4m at 31 March 2022 and closely monitors available liquidity on an ongoing basis.

Insurance broking is a resilient and defensive market, which has historically had limited impact from past economic or capital market downturns. Ardonagh is highly diversified and not materially exposed to a single carrier, customer or market sector.

Broker Network Holdings Limited

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

Approved by the board on 21 July 2022..... and signed on its behalf by:



D Cougill
Director

Broker Network Holdings Limited

Directors' Report for the Year Ended 31 December 2021

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

Directors of the Company

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

D C Ross

D Cougill

Dividends

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

Financial risk management objectives and policies

Details of financial risk management objectives and policies can be found in the Strategic Report within the 'Principal risks and uncertainties' section on page 2.

Future developments

Details of future developments can be found in the Strategic Report within the 'Outlook' section on page 2.

Political donations

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

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 12 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.

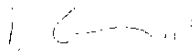
Subsequent events

Details of subsequent events can be found in the Notes to the financial statements within the 'Subsequent events' section on page 23.

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.

Approved by the Board on ..21.July.2022 and signed on its behalf by:



D Cougill
Director

Broker Network Holdings 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 then apply them consistently;*
- make judgements and accounting estimates that are reasonable and prudent; and*
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.*

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

Broker Network Holdings Limited

Statement of Comprehensive Income for the Year Ended 31 December 2021

	Note	2021 £	2020 £
Administrative expenses		-	8,690,000
Impairment of investments	10	-	<u>(8,950,748)</u>
Operating loss	4	-	(260,748)
Finance income	5	-	<u>260,757</u>
Profit before tax		-	9
Income tax credit/(charge)	8	<u>245</u>	<u>(59)</u>
Profit/(loss) for the year		<u><u>245</u></u>	<u><u>(50)</u></u>

The above results were derived from continuing operations. There are no items of other comprehensive income in the current or prior financial year.

The notes on pages 9 to 23 form an integral part of these financial statements.

Broker Network Holdings Limited

(Registration number: 05044510)

Statement of Financial Position as at 31 December 2021

	Note	2021 £	2020 £
Non-current assets			
Investments in subsidiaries	10	1	2
Deferred tax assets	8	245	-
		<u>246</u>	<u>2</u>
Current assets			
Trade and other receivables	11	53,724,095	54,022,137
Cash and cash equivalents	12	7,097	7,097
		<u>53,731,192</u>	<u>54,029,234</u>
Current liabilities			
Trade and other payables	13	(2,494,653)	(2,494,653)
Tax liability		(2)	(2)
Lease liabilities	9	(344,908)	(344,908)
		<u>(2,839,563)</u>	<u>(2,839,563)</u>
Net current assets		<u>50,891,629</u>	<u>51,189,671</u>
Total assets less current liabilities		50,891,875	51,189,673
Non-current liabilities			
Lease liabilities	9	(195,277)	(493,320)
Net assets		<u>50,696,598</u>	<u>50,696,353</u>
Capital and reserves			
Share capital	14	314,084	314,084
Share premium		2,328,428	2,328,428
Retained earnings		<u>48,054,086</u>	<u>48,053,841</u>
		<u>50,696,598</u>	<u>50,696,353</u>

For the year ended 31 December 2021 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

Approved by the Board on 21 July 2022 and signed on its behalf by:



D Cougill
Director

The notes on pages 9 to 23 form an integral part of these financial statements.

Broker Network Holdings Limited

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

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2021	314,084	2,328,428	48,053,841	50,696,353
Profit for the year	-	-	245	245
At 31 December 2021	<u>314,084</u>	<u>2,328,428</u>	<u>48,054,086</u>	<u>50,696,598</u>

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2020	314,084	2,328,428	48,053,891	50,696,403
Loss for the year	-	-	(50)	(50)
At 31 December 2020	<u>314,084</u>	<u>2,328,428</u>	<u>48,053,841</u>	<u>50,696,353</u>

The notes on pages 9 to 23 form an integral part of these financial statements.

Broker Network Holdings Limited

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

1 Authorisation of financial statements

The Company is a private company limited by share capital incorporated and registered in England, United Kingdom. The Company's registered office address can be found on page 1. The principal activity of the Company is disclosed on page 2 within the 'Strategic Report'.

These financial statements for the year ended 31 December 2021 were authorised for issue by the Board on 21 July 2022 and the Statement of Financial Position was signed on the board's behalf by D Cougill.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

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

As a wholly owned subsidiary of The Ardonagh Group Limited for the year ended 31 December 2021, the Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group financial statements, and its results are included in the consolidated financial statements of its ultimate parent.

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

No amendments to standards and interpretations that are mandatorily effective for annual periods beginning on 1 January 2021 have had a material effect on the Company's financial statements.

Summary of disclosure exemptions

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

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

- the requirements of IFRS 7 Financial Instruments: Disclosures and of paragraphs 91-99 of IFRS 13 Fair Value Measurement apart from those which are relevant for the financial statements which are held at fair value not held as part of a trading portfolio;
- the requirements in paragraph 10(d) and 111 of IAS 1 Presentation of Financial Statements to prepare a Cash flow statement and the requirements in IAS 7 Statement of Cash Flows regarding the same;
- the requirements in paragraph 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements, which includes the need to provide details on capital management;

Broker Network Holdings Limited

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

2 Accounting policies (continued)

- the requirements of paragraphs 30 and 31 in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors regarding disclosure of new IFRS standards not yet effective at the reporting date and their potential impact;
- the requirements in paragraphs 17 and 18A of IAS 24 Related Party Disclosures around the need to disclose information on key management personnel and details on related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 134(d) - 134(f) and 135(c) - 135(e) of IAS 36 Impairment of Assets in respect of disclosure of assumptions on which projections used in the impairment review are based and sensitivity analysis.

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

Judgements made by the directors in the application of these accounting policies that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are discussed in the Critical accounting judgment and key sources of estimation uncertainty disclosure on page 16.

Going Concern

The financial statements of the Company have been prepared on a going concern basis. At 31 December 2021 the Company had net assets of £50,696,598 (2020: £50,696,353) and net current assets of £50,891,629 (2020: £51,189,671). The net current assets include amounts receivable from related parties of £53,651,666 (2020: £53,949,708), and amounts due to related parties of £2,487,569 (2020: £2,487,569). The Company reported a profit before tax of £Nil for the year ended 31 December 2021 (2020: £9).

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

- The Group's capital structure, operations and liquidity following the 14 July 2020 issuance of new borrowings; £343.0m received for the 350,000 preference shares issued on 3 September 2021; and the additional 19 August 2021 Capex, Acquisition and Re-organisation facility (B3 facility) of circa £565.0m agreed with the lenders of the Group's privately placed B1 term loan facility due 2026, of which £164.3m remains undrawn at 18 May 2022. These are reflected in the adjusted base case and stressed cash flow forecasts over the calendar years 2022 and 2023.
- The impact on the Group's base case cashflow forecasts arising from material acquisitions since the finalisation of the Group's base case budget.
- The principal risks facing the Group, including global political tensions (including related to the Ukrainian conflict) and potential lingering financial impacts of Covid-19 following lockdown restrictions being removed in the UK, and its systems of risk management and internal control.
- Actual trading and cashflows that arose in the four months ended April 2022, with continued positive financial results.

Broker Network Holdings Limited

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

2 Accounting policies (continued)

Key assumptions made in preparing the Group's base case cash flow forecasts are that:

- Following the 14 July 2020 issuance of new borrowings, which the Group used to repay its existing borrowings and to fund acquisitions: (a) the Group will continue to benefit from a £191.5m Revolving Credit Facility that is not drawn at the date of this report, and (b) payment-in-kind interest options are utilised.
- Client retention and renewal rates continue to be robust, despite the current economic uncertainty, as the 2022 trading performance continues to demonstrate resilience across the Group.

Key stress scenarios that the Group has considered include cumulative stresses to the Group's base plan as a result of:

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

The directors have also modelled reverse stress scenarios, including assessing those that result in a default on its 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 Group considers such conditions to be a remote possibility. Other mitigations which may be possible in the stress scenarios but have not been included in the Group's analysis include seeking shareholder support, securitising premium receivables and further incremental and more prolonged cost reductions.

The directors continue to consider the wider operational consequences and ramifications of global political tensions (including related to the Ukrainian conflict) and the Covid-19 pandemic. In particular:

- The Group has demonstrated the efficiency and stability of the Group's infrastructure and the ability for home working for a significant portion of our employee base.
- 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 materially exposed to a single carrier, customer or market sector.
- Although economic developments remain fluid, the stress testing demonstrates the Group's financial resilience and operating flexibility.
- As a result of Russia invading Ukraine, we have seen significant new sanctions legislation from a range of legislators (including the US, EU and UK), with newly sanctioned entities and individuals, and new (or wider in scope) sectoral sanctions targeting Russia (and Belarus). The Ardonagh Group has no appetite for potential breaches of applicable sanctions regimes and applies appropriate controls including automated screening of clients against relevant sanctions lists. We continue to actively monitor the situation as it develops and will respond accordingly as new sanctions are enacted.

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

Broker Network Holdings Limited

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

2 Accounting policies (continued)

Leases

Right-of-use assets

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

Lease liabilities

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

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

Leases of low value assets

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

Broker Network Holdings Limited

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

2 Accounting policies (continued)

Investments in subsidiary

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

Impairment of investment

The carrying amount of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income.

Calculation of recoverable amount

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Financial instruments

Recognition and initial measurement

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

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.

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

Broker Network Holdings Limited

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

2 Accounting policies (continued)

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. 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. The difference between the carrying value of the original financial liability and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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 has a current 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.

Financial assets

Classification and subsequent measurement of financial assets

The Company classifies its financial assets in the following measurement categories:

- Amortised cost less impairment;
- Fair value through other comprehensive income ("FVTOCI"); or
- Fair value through profit or loss ("FVTPL").

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

Financial assets classified as amortised cost

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

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

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The Company's financial assets measured at amortised cost include trade and other receivables and cash and cash equivalents.

These assets are held within a business model whose objective is to collect the contractual cash flows, and have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Thus, such assets are subsequently measured and carried at amortised cost in the Statement of Financial Position. The Company's trade receivables do not have a significant financing component and as such their transaction (invoiced) price is considered to be their amortised cost less impairment.

Broker Network Holdings Limited

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

2 Accounting policies (continued)

Impairment of financial assets

The Company assesses, on a forward-looking basis, the expected credit losses ("ECL") associated with its debt instrument assets carried at amortised cost. The Company recognises a loss allowance for such losses at each reporting date.

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.

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.

Financial liabilities

Financial liabilities are initially measured at fair value plus directly attributable transaction costs. The Company's financial liabilities are trade and other payables.

Trade and other payables represent amounts due to related parties and other payables. They are initially recognised at fair value and are subsequently measured at amortised cost.

Finance income

The Company's finance income and finance costs include interest on cash deposits and dividends received.

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

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.

Broker Network Holdings Limited

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

2 Accounting policies (continued)

Taxation

Current tax

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

Deferred tax

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

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

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.

There have been no estimates or assumptions that have had a significant effect on the carrying amounts of assets and liabilities in the preparation of these financial statements.

4 Operating loss

For the year ended 31 December 2021, the Company has taken the exemption under s479 of the Companies Act 2006 from the requirement to obtain an audit of their separate financial statements. The guarantee of the outstanding liabilities as at 31 December 2021 has been provided by Ardonagh Midco 2 plc, a fellow Group company. As a result, no audit fee has been incurred in the current year (2020: £Nil).

Broker Network Holdings Limited

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

5 Finance income

	2021	2020
	£	£
Interest income	-	9
Internal dividends received	-	260,748
Net finance income	-	260,757

Finance income includes interest on deposits and internal dividends received.

6 Staff costs

The Company had no employees in the current year or the preceding year. All administration is performed by employees of the Group, for which no recharge is made to the Company.

7 Directors' remuneration

The emoluments of all directors are paid by other Group companies, which make no recharge to the Company. These directors were directors of The Ardonagh Group Limited and/or other fellow subsidiaries. Their total emoluments were included in the consolidated financial statements of The Ardonagh Group Limited for the year ended 31 December 2021.

8 Income tax

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

	2021	2020
	£	£
Current taxation		
UK corporation tax	-	1
Adjustments in respect of prior periods	-	557
Total current taxation	-	558
Deferred taxation		
Origination and reversal of temporary differences	(245)	17,921
Adjustments in respect of prior periods	-	(16,534)
Effect of tax rate change on opening balance	-	(1,886)
Total deferred taxation	(245)	(499)
Tax (credit)/charge in the Statement of Comprehensive Income	(245)	59

Broker Network Holdings Limited

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

8 Income tax (continued)

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

	2021 £	2020 £
Profit before tax	-	9
Corporation tax at standard rate of 19% (2020: 19%)	-	2
Adjustments to tax charge in respect of previous periods - current tax	-	557
Adjustments to tax charge in respect of previous periods - deferred tax	-	(16,534)
Exempt ABGH distributions	-	(49,542)
Expenses not deductible for tax purposes	-	49,541
Movement in deferred tax not recognised	5,414	17,921
Remeasurement of deferred tax for changes in tax rates	(5,659)	(1,886)
Total tax (credit)/charge	(245)	59

Deferred tax

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

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

	Asset £
2021	
Losses	245
	Asset
2020	
Losses	-

Deferred tax movement during the year:

	At 1 January 2021 £	Recognised in income £	At 31 December 2021 £
Tax losses carry-forwards	-	245	245
Provisions	-	-	-
Net tax assets	-	245	245

Broker Network Holdings Limited

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

8 Income tax (continued)

Deferred tax movement during the prior year:

	At 1 January 2020	Recognised in income	At 31 December 2020
	£	£	£
Tax losses carry-forwards	-	-	-
Provisions	(499)	499	-
Net tax assets	(499)	499	-

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.

	2021	2020
	£	£
Losses	23,335	17,921
Unrecognised deferred tax assets	23,335	17,921

9 Leases

The tables below provides a schedule of the movements in the carrying amount of the lease liabilities held on the Statement of Financial Position during the year ended 31 December 2021 and during the year ended 31 December 2020.

	Property	Non-Property	Total	Lease Liabilities
	£	£	£	£
At 1 January 2021	-	-	-	(838,228)
Interest expense	-	-	-	(66,693)
Lease payments	-	-	-	364,736
At 31 December 2021	-	-	-	(540,185)
Current lease liabilities				(344,908)
Non-current lease liabilities				(195,277)
Total lease liabilities				(540,185)

Broker Network Holdings Limited

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

9 Leases (continued)

	Property	Non-Property	Total	Lease Liabilities
	£	£	£	£
At 1 January 2020	-	-	-	(1,046,424)
Interest expense	-	-	-	(156,540)
Lease payments	-	-	-	364,736
At 31 December 2020	-	-	-	(838,228)
Current lease liabilities				(344,908)
Non-current lease liabilities				(493,320)
Total lease liabilities				(838,228)

The Company incurred no expenditure relating to variable lease payments not included in the measurement of the lease liability.

During the year ended 31 December 2021, the total cash outflows for leases was £364,736 (2020: £364,736).

Maturity analysis

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

	2021	2020
	£	£
Within one year	364,736	364,736
In one to five years	222,449	587,185
In over five years	-	-
	<u>587,185</u>	<u>951,921</u>

Broker Network Holdings Limited

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

10 Investments in subsidiaries

	£
Cost or valuation	
At 1 January 2021	11,655,915
Disposals	<u>(9,030,000)</u>
At 31 December 2021	<u>2,625,915</u>
Provision for impairment	
At 1 January 2021	11,655,913
Eliminated on disposals	<u>(9,029,999)</u>
At 31 December 2021	<u>2,625,914</u>
Carrying amount	
At 31 December 2021	<u><u>1</u></u>
At 31 December 2020	<u><u>2</u></u>

During the year the Company's subsidiary, Broker Network Insurance Brokers Limited, was dissolved and the investment subsequently disposed of.

Details of the subsidiaries as at 31 December 2021 are as follows.

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2021	2020
Townfrost Limited	Run-off	England	100%	100%

The registered office address of the above subsidiary is Hexagon House, Grimbald Crag Close, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ.

Broker Network Holdings Limited

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

11 Trade and other receivables

	2021 £	2020 £
Current trade and other receivables		
Receivables from other Group companies	53,651,666	53,949,708
Other receivables	<u>72,429</u>	<u>72,429</u>
	<u>53,724,095</u>	<u>54,022,137</u>

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

12 Cash and cash equivalents

	2021 £	2020 £
Own funds - restricted	<u>7,097</u>	<u>7,097</u>

Own funds are considered restricted and not available to pay the general debts of the Company.

13 Trade and other payables

	2021 £	2020 £
Current trade and other payables		
Amounts due to other Group companies	2,487,569	2,487,569
Other payables	<u>7,084</u>	<u>7,084</u>
	<u>2,494,653</u>	<u>2,494,653</u>

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

14 Share capital

Allotted, called up and fully paid shares

	2021 No.	£	2020 No.	£
Ordinary shares of £0.02 each	<u>15,704,224</u>	<u>314,084</u>	<u>15,704,224</u>	<u>314,084</u>

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

Broker Network Holdings Limited

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

15 Related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with a number of related parties. The Company has taken the exemption under FRS 101 not to disclose transactions with fellow wholly owned subsidiaries or key management personnel.

16 Parent and ultimate parent undertaking

The Company's immediate parent company is Ardonagh Services Limited and the ultimate parent is Tara Topco Limited, (see note 17).

The Group's majority shareholder and ultimate controlling party at 31 December 2021 is HPS Investment Partners LLC. The company of the largest group that prepares group financial statements at 31 December 2021 that consolidate the Company is The Ardonagh Group Limited (incorporated in Jersey, registered office address 3rd Floor, 44 Esplanade, St Helier, Jersey, JE4 9WG). The parent company of the smallest group that prepares group financial statements at 31 December 2021 that consolidate the Company is Ardonagh Midco 2 plc (incorporated in Great Britain, registered office address 2 Minster Court, London, EC3R 7PD). Financial statements for The Ardonagh Group Limited and Ardonagh Midco 2 plc are available on request from:

2 Minster Court
Mincing Lane
London
EC3R 7PD

17 Subsequent events

On 7 June 2022 the Company's subsidiary, Townfrost Limited, was dissolved as part of a planned legal entity rationalisation programme.

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

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