Registration number: 07476462

# Ardonagh Services Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021

# Ardonagh Services Limited

## Contents

# Ardonagh Services Limited

## Company Information

| | |
|---|---|
| **Directors** | D C Ross |
| | D Cougill |
| **Company secretary** | Ardonagh Corporate Secretary Limited |
| **Registered office** | 2 Minster Court<br>Mincing Lane<br>London<br>EC3R 7PD<br>United Kingdom |
| **Auditor** | Deloitte LLP<br>1 New Street Square<br>London<br>EC4A 3HQ<br>United Kingdom |

# Ardonagh Services Limited

## Strategic Report for the Year Ended 31 December 2021

The directors present their Strategic Report for the year ended 31 December 2021 for Ardonagh Services Limited ("the Company" or "ASL"). The Strategic Report provides a review of the business for the financial year and describes how the directors manage risks. The report outlines the developments and performance of the Company during the financial year, the position at the end of the year and discusses the main trends and factors that could affect the future. Following significant new equity investment as disclosed in note 24 (subsequent events), the Company is now part of a new holding company structure. Prior to this and as at 31 December 2021, the Company was part of The Ardonagh Group Limited ("the Group").

**Principal activities and business review**
The principal activity of the Company is that of an internal services company. The Company incurs costs on behalf of the Group and its subsidiary companies and makes recharges to these companies.

The results for the Company show a loss before tax of £29.1m (2020: £55.4m) for the year and turnover of £38.7m (2020: £28.4m). At 31 December 2021 the Company had net current assets of £368.9m (2020: £424.4m) and net assets of £668.9m (2020: £678.4m).

The going concern section (part of accounting policies note) sets out the reasons why the directors continue to believe that the preparation of the financial statements on a going concern basis is appropriate.

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

**Key performance indicators**
The directors of the Group manage the Group's operations on a segmental basis. For this reason, the Company's directors believe that a separate analysis for the Company of KPIs, over and above its investments in subsidiaries, is not necessary or appropriate for an understanding of the development, performance or position of the business. The development, performance and position of the Group is discussed in the Group's annual report.

A key performance indicator for this company is the carrying value of its investments in subsidiaries, £272.6m at 31 December 2021 (2020: £239.5m). The performance of the subsidiary undertakings will determine whether an impairment to the carrying value is required and this is tested on a regular basis. There were no impairment charges for the current year-end.

Non-financial key performance indicators include staffing levels which have increased by 15% (2020: reduced by 25%) during the year (see note 5).

**Principal risks and uncertainties**

The principal risks and their mitigation are as follows:

*Ardonagh Governance Framework*
Planned changes to the Ardonagh Governance Framework as disclosed in the Group's 2021 Annual Report, will mean that during 2022 changes will be implemented such that Platform Board's will have the primary responsibility to discharge oversight and challenge over their financial performance against plan and performance against risk appetite and risk frameworks.

The Group Board shall set Group strategy, secure equity and debt capital, and ensure capital is efficiently deployed to maximise equity value to shareholders and oversee performance of Platforms against plans. To implement these changes an initial target level of debt, at a market rate, has been determined that will exist between the Group and the Platforms, from which the performance against risk appetite and risk frameworks can be measured prospectively. As a result the Company intercompany balances with Platform entities will be refinanced in 2022 by entering into new formal loan agreements.

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

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

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

*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.

*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 for their respective businesses.

The business 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 across the Company's operating segment, which include policies to manage employee absences, to ensure access to the wider network of offices, to maintain the efficiency and stability of the infrastructure, and to facilitate home working for a significant portion of our employee base. Leadership teams and working groups led by senior managers are in place to support operational resilience and the taking of common-sense precautions with a view to ensuring the wellbeing of colleagues. We continue to review this approach in line with the latest developments and government guidance.

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

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

*Employees*
Our employees are central to our success and remuneration structures are designed to reward good performance at the individual and business level and support our culture. In addition, our businesses focus on providing working conditions that are Covid-19 safe and providing long-term career prospects for staff with opportunities to up-skill through training, providing career progression paths and study support. The Employee Group Plan is an equity scheme that recognises the wider contribution of employees; identifying key talent and future leaders within the Group. The plan extends to a wide cross-section of our people and has created a more diverse group both in terms of age and gender that now hold equity.

Our Board believes in the importance of communication and engagement with all employees and this has become increasingly important since many of our staff moved to homeworking or hybrid office and home working in 2020 and 2021. Good communication and engagement is also linked to and supports our actions taken to enhance staff well-being, which has been an area of continued focus during Covid-19 including the Wellness4life programme that ran throughout the year. There were also a number of Group initiatives, such as the award-winning Radio Ardonagh and 'applause' where employees can give a 'shout out' to their colleagues who have gone above and beyond.

The third Group-wide employee pulse survey was undertaken in Q4 2021. The Ardonagh Group achieved an excellent 81% response rate and an overall positivity score of 73.3% compared with 75.4% in 2020, which management consider to be a good result given the impact and challenges of Covid 19. As a result of the survey, a number of actions will be taken across our 5 people commitments; Attract and Retain, Onboard and Develop, Recognise and Reward, Empower and Enable, and Respect and Support. Each of these 5 people commitments outline our ambition for a diverse and fair workforce and an inclusive culture. As a business, we believe that diversity strengthens us and in 2021 we launched a number of employee forums in which to hold frank, straightforward conversations on topics such as well-being, diversity and inclusion and this two-way dialogue with our people has been warmly received and is leading to tangible actions and progress.

*Insurers*
Our insurance partners are fundamental to the success of the business. The Ardonagh Portfolio Solutions business regularly meet with our key insurance partners and grow out strategic carrier partnerships.

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

*Community*

Since The Ardonagh Community Trust ("ACT") was formed, circa. £1m has been donated to over 400 charities as chosen by our Ardonagh colleagues.

In 2021, 35 projects were nominated by colleagues with £153,315.31 of funds awarded. This allowed charities and community organisations to complete projects to further support those who need their services.

With the lifting of restrictions, we also saw an increase in colleagues fundraising for causes they care about through marathons, sponsored walks and other challenges. ACT was able to boost the £103,995.25 raised by our colleagues with an additional £52,425.59. Additionally, Advisory colleagues were encouraged to take their one-paid day a year of volunteering time and despite the ongoing restrictions imposed by Covid-19 over 500 hours across the Ardonagh Group were donated into local communities.

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

Approved by the Board on 22/07/2022 and signed on its behalf by:

D Cougill
Director

# Ardonagh Services Limited

## Directors' Report for the Year Ended 31 December 2021

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

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

D C Ross

D Cougill

**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 3.

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

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

**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).

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

**Employee involvement**
Employees are key to the Company's success, so an appropriate remuneration package is offered which rewards an individual's performance and contribution to the organisation. The Company is also keen to encourage individual's personal development to ensure that they have the skills required to undertake their role. The Company places considerable value on the involvement of its employees and continues to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company and the Group as a whole. This is achieved by formal and informal meetings, circulation of the Company weekly communications email and Group news posted on the internal website.

**Employment of disabled persons**
The Company's policy is to recruit disabled workers for those vacancies that they have the appropriate skills and technical ability to perform. Once employed, a career plan is developed to ensure that suitable opportunities exist for each disabled person. Employees who become disabled during their working life will be retrained if necessary and wherever possible will be given help with any necessary rehabilitation and training. The Company is prepared to modify procedures or equipment, wherever practicable, so that full use can be made of an individual's abilities.

**Directors' 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.

**Subsequent events**
Details of subsequent events can be found in the Notes to the financial statements within 'Subsequent events' on page 49.

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

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

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

Approved by the Board on .22/07/2022 and signed on its behalf by:

D Cougill
Director

## Ardonagh Services 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
- 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.

# Ardonagh Services Limited

## Independent Auditor's Report to the members of Ardonagh Services Limited

### Report on the audit of the financial statements

**Opinion**
In our opinion the financial statements of Ardonagh Services Limited (the 'Company'):

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

We have audited the financial statements, which comprise:
• the statement of comprehensive income;
• the statement of financial position;
• the statement of changes in equity; and
• the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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

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

**Conclusions relating to going concern**
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.

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.

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

**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.

**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 about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks 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 the UK Companies Act and UK 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 regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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 management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims; and

• 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 Ardonagh Services Limited (continued)

**Report on other legal and regulatory requirements**

**Opinion on other matters prescribed by the Companies Act 2006**
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

**Matters on which we are required to report by exception**
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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

Claire Clough.

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

Date: 22 July 2022

# Ardonagh Services Limited

## Statement of Comprehensive Income for the Year Ended 31 December 2021

| | Note | 2021 £ 000 | 2020 £ 000 |
|---|---|---|---|
| Commission and fees | 4 | 38,743 | 28,392 |
| Salaries and associated costs | 5 | (26,282) | (24,952) |
| Administrative expenses | | (59,294) | (71,260) |
| Depreciation, amortisation and impairment of non-financial assets | | (5,010) | (8,996) |
| **Operating loss** | 6 | (51,843) | (76,816) |
| Gain on disposal of investments | | 143 | 1,100 |
| Finance income | 7 | 33,526 | 31,335 |
| Finance costs | 7 | (10,940) | (10,983) |
| **Loss before tax** | | (29,114) | (55,364) |
| Tax credit | 9 | 3,778 | 8,376 |
| **Loss for the year** | | (25,336) | (46,988) |

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

The notes on pages 18 to 49 form an integral part of these financial statements.

# Ardonagh Services Limited

## (Registration number: 07476462)
## Statement of Financial Position as at 31 December 2021

| | Note | 2021 £ 000 | 2020 £ 000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 10 | 6,425 | 6,717 |
| Property, plant and equipment | 11 | 1,053 | 1,898 |
| Right-of-use assets | 12 | 1,191 | 1,561 |
| Investments in subsidiaries | 13 | 272,634 | 239,477 |
| Deferred tax assets | 9 | 26,481 | 13,291 |
| | | 307,784 | 262,944 |
| **Current assets** | | | |
| Cash and cash equivalents | 15 | 123,207 | 5,117 |
| Trade and other receivables | 14 | 1,275,694 | 1,233,562 |
| Current tax assets | | - | 7,655 |
| | | 1,398,901 | 1,246,334 |
| **Current liabilities** | | | |
| Trade and other payables | 16 | (831,030) | (636,476) |
| Borrowings | 17 | (194,917) | (184,120) |
| Lease liabilities | 12 | (586) | (632) |
| Tax liabilities | | (1,228) | - |
| Provisions | 19 | (2,274) | (699) |
| | | (1,030,035) | (821,927) |
| **Net current assets** | | 368,866 | 424,407 |
| **Total assets less current liabilities** | | 676,650 | 687,351 |
| **Non-current liabilities** | | | |
| Trade and other payables | 16 | (2,817) | (3,560) |
| Lease liabilities | 12 | (4,015) | (5,384) |
| Provisions | 19 | (968) | - |
| | | (7,800) | (8,944) |
| **Net assets** | | 668,850 | 678,407 |

The notes on pages 18 to 49 form an integral part of these financial statements.

## Ardonagh Services Limited

## (Registration number: 07476462)
## Statement of Financial Position as at 31 December 2021 (continued)

| | Note | 2021 £ 000 | 2020 £ 000 |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | 20 | 1,746,679 | 1,739,092 |
| Share premium | | 248,442 | 240,586 |
| Capital contribution | | 33,291 | 33,291 |
| Retained losses | | (1,359,562) | (1,334,562) |
| **Total equity** | | 668,850 | 678,407 |

Approved by the Board on 22/07/2022 and signed on its behalf by:

D Cougill
Director

The notes on pages 18 to 49 form an integral part of these financial statements.

## Ardonagh Services Limited

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

| | Note | Share capital £ 000 | Share premium £ 000 | Capital contribution £ 000 | Retained losses £ 000 | Total £ 000 |
|---|---|---|---|---|---|---|
| At 1 January 2021 | | 1,739,092 | 240,586 | 33,291 | (1,334,562) | 678,407 |
| Net loss for the year | | - | - | - | (25,336) | (25,336) |
| New share capital subscribed | 20 | 7,587 | 7,856 | - | - | 15,443 |
| Share-based payment | | - | - | - | 336 | 336 |
| At 31 December 2021 | | 1,746,679 | 248,442 | 33,291 | (1,359,562) | 668,850 |

| | Share capital £ 000 | Share premium £ 000 | Capital contribution £ 000 | Retained losses £ 000 | Total £ 000 |
|---|---|---|---|---|---|
| At 1 January 2020 | 1,739,092 | 117,980 | 33,291 | (1,288,186) | 602,177 |
| Net loss for the year | - | - | - | (46,988) | (46,988) |
| Other share premium reserve movements | - | 122,606 | - | - | 122,606 |
| Share-based payment | - | - | - | 612 | 612 |
| At 31 December 2020 | 1,739,092 | 240,586 | 33,291 | (1,334,562) | 678,407 |

The notes on pages 18 to 49 form an integral part of these financial statements.

## 1 General information

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

These financial statements for the year ended 31 December 2021 were authorised for issue by the Board on 22 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'.

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.

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 accounts, and its results are included in the consolidated accounts of its ultimate parent.

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

**FRS 101 disclosure exemptions**
In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the 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 paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment concerning details of the number and weighted average exercise price of share options and how the fair value of goods or services received was determined;

**2 Accounting policies (continued)**

- the requirements of IFRS 7 Financial Instruments: Disclosures and of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to provide comparative year reconciliations in respect of outstanding shares, property, plant and equipment and intangible assets;
- the requirements in paragraph 10(d) and 111 of IAS 1 Presentation of Financial Statements to prepare a Cash flow statement and the requirements in IAS 7 Statement of Cash Flows regarding the same;
- the requirements of paragraphs 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 30 and 31 in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors regarding disclosure of new IFRS standards not yet effective at the reporting date and their potential impact;
- the requirements in paragraphs 17 and 18A of IAS 24 Related Party Disclosures and the requirements in IAS 24 to disclose related party transactions entered into between two or more members of the Group, provided that any subsidiary which is party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 130(f)(ii) -(iii), 134(d) - 134(f) and 135(c) - 135(e) of IAS 36 Impairment of Assets in respect of disclosure of valuation techniques, assumptions on which projections used in the impairment review are based and sensitivity analysis.

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

Judgements made by the directors in the application of these accounting policies that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are discussed in the Critical accounting judgements and key sources of estimation uncertainty disclosure on page 31.

**Going concern**

The financial statements set out on pages 14 to 17 have been prepared on the basis that the Company is a going concern. At 31 December 2021, the Company had net assets of £668.9m (2020: £678.4m) and net current assets of £368.9m (2020: £424.4m). The Company reported an operating loss before tax of £51.8m for the year ended 31 December 2021 (2020: £76.8m).

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:

**2 Accounting policies (continued)**

- 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 19 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 five months ended 31 May 2022, with continued positive financial results.

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.

## 2 Accounting policies (continued)

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.

**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, 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.

### 2 Accounting policies (continued)

*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 Group, and payments of penalties for terminating a lease if the lease term reflects the Group 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 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.

**2 Accounting policies (continued)**

**Commission and fees**

(a) Management charge

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

(b) Other income

Other income relates to incentive payments received from suppliers.

(c) Carrier Management

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

**Taxation**

*Current tax*

Current tax is recognised for the amount of tax payable/receivable in respect of the taxable profit/loss 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 in relation to goodwill or a transaction which is not a business combination and does not affect profit nor taxable profit). 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 against other future taxable profits. 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, and if they relate to income taxes levied by the same taxation authority.

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

## 2 Accounting policies (continued)

**Intangible assets**

*Trademarks, patents and licences*

Brand intangible assets are recognised on a business combination because they are separable or arise from contractual or other legal rights. Their fair value 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 year in which it is incurred.

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

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

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

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

*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.

### 2 Accounting policies (continued)

*Impairment of assets*
Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the 'cash generating unit' to which the asset belongs is determined, being the lowest level for which there are separately identifiable cash flows.

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

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

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

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

**Depreciation**
Depreciation is charged so as to write off the cost of assets over their estimated useful lives, as follows:

| **Asset class** | **Depreciation method and rate** |
|---|---|
| Leasehold improvements | Over the remaining life of the lease |
| Fixtures and fittings | Over 4 years |
| Furniture and equipment | Over 4 years |
| Computer equipment | Over 4 years |

**Investments in subsidiaries**
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.

## 2 Accounting policies (continued)

### Financial instruments

**Recognition and initial measurement**

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

**Derecognition**

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

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

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

**2 Accounting policies (continued)**

**Financial assets classified as amortised cost**

Financial assets that meet both of the following conditions are classified and subsequently measured at amortised cost:

· the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

· the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

**Reclassifications**

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

## 2 Accounting policies (continued)

### Impairment of financial assets

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

The Company recognises lifetime ECL for trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors and by scalar factors to reflect differences between economic conditions during the period over which the historical data was collected versus current conditions and the Company's view of economic conditions over the expected lives of the receivables, including the time value of money where appropriate. Scalar factors are typically based on GDP and unemployment rate forecasts.

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

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

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

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

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available.

**2 Accounting policies (continued)**

*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.

*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, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

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

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date. Borrowings are recognised initially at fair value, net of transactions costs incurred. They are subsequently measured at amortised cost using the effective interest rate method.

Trade payables are initially recognised at fair value and are subsequently measured at amortised cost.

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

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

## 2 Accounting policies (continued)

### Provisions

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

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

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

### Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the Company receives services from employees as consideration for the award of Management Incentive Plan ("MIP") shares. MIP shares have no dividend or voting rights and cannot be sold, they are convertible to ordinary shares of the Ardonagh Group on occurrence of a crystallisation event, this being defined as the earlier of a liquidity event, an Initial Public Offering ("IPO") or a winding-up.

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

### Share capital

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

### Employee benefits

*Pension costs*

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior year.

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

## 3 Critical accounting judgements and key sources of estimation uncertainty

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

There are no critical accounting judgements or sources of estimation uncertainty that would have a significant effect on the amounts recognised in the Company's financial statements that would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

### Key sources of estimation uncertainty

*Deferred tax assets*

Significant judgement is required in determining the asset recognised in respect of deferred tax. A deferred tax asset is recognised for temporary timing differences, but management's best estimate is used to determine the extent to which it is probable that taxable profit will be available in the future against which the temporary differences can be utilised, and to determine the amount of this taxable profit. Deferred tax assets are measured in accordance with the tax rates and laws that have been enacted or substantively enacted by the end of the reporting year.

The deferred tax assets as at 31 December 2021 is £26.5m (2020: £13.3m). See note 9.

### Impairment of trade and other receivables

The Company makes an estimate of the recoverable value of trade receivables and other debtors including intercompany receivables. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile and historical experience. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables and contract assets. See note 14 for the net carrying amount of the receivables and associated impairment provision.

The additional bad debt provision amounted to £0.1m as at 31 December 2021 (2020: £0.3m).

### Impairment of investments in subsidiaries

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

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

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

## 4 Commission and fees

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

| | 2021<br>£ 000 | 2020<br>£ 000 |
|---|---|---|
| Other income | 164 | 4 |
| Carrier management | 2,419 | 1,698 |
| Management charge | 36,160 | 26,690 |
| | 38,743 | 28,392 |

Turnover consists entirely of income generated in the United Kingdom.

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

## 5 Salaries and associated costs

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

| | 2021<br>£ 000 | 2020<br>£ 000 |
|---|---|---|
| Wages and salaries | 22,356 | 20,950 |
| Social security costs | 3,036 | 2,978 |
| Share-based payment expenses | 305 | 561 |
| Pension costs, defined contribution scheme | 585 | 448 |
| Redundancy costs | - | 15 |
| | 26,282 | 24,952 |

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

| | 2021<br>No. | 2020<br>No. |
|---|---|---|
| Administration | 194 | 164 |
| Sales | - | 2 |
| Management | 29 | 27 |
| | 223 | 193 |

## 6 Operating loss

Arrived at after charging/(crediting):

| | 2021<br>£ 000 | 2020<br>£ 000 |
|---|---|---|
| Depreciation expense | 916 | 3,550 |
| Depreciation on leasehold property - ROU assets | 619 | 777 |
| Amortisation and other amounts written off intangibles | 3,475 | 4,668 |
| Auditor's remuneration: audit of these financial statements | 88 | 80 |
| Intercompany bad debt provision and write off | 105 | (388) |
| Restructuring obligations | 71 | 119 |
| Loss on disposal of property, plant and equipment | - | 124 |
| Loss on disposal of intangible assets | - | 81 |

Amounts receivable by the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, The Ardonagh Group Limited for the year ended 31 December 2021.

During the year ended 31 December 2021, the Company made an adjustment to a provision against intercompany debt due from the Towergate Financial Group of £(0.1)m (2020: £0.4m), reflecting the movement in the Towergate Financial intercompany balances in the period. These balances are deemed unrecoverable and hence have been fully impaired.

## 7 Finance income and finance costs

| | 2021<br>£ 000 | 2020<br>£ 000 |
|---|---|---|
| **Finance income** | | |
| Interest income on bank deposits | 10 | 466 |
| Interest receivable from related parties | 28,273 | 28,414 |
| Dividend income | - | 375 |
| Interest income: discount unwind | 5,243 | 2,070 |
| Interest income: other | - | 10 |
| Total finance income | 33,526 | 31,335 |

## 7 Finance income and finance costs (continued)

| | 2021<br>£ 000 | 2020<br>£ 000 |
|---|---|---|
| **Finance costs** | | |
| Finance costs | (10,798) | (10,797) |
| Effective interest on lease liabilities | (138) | (185) |
| Unwinding of discount payable on provisions | (4) | (1) |
| Total finance costs | (10,940) | (10,983) |
| **Net finance income** | 22,586 | 20,352 |

As at 31 December 2021 the Company was due a total of £28.3m (2020: £28.4m) of interest on loans to other Group undertakings. In the year ended 31 December 2021, the interest expense on the £122.0m subordinated loan, charged at 8.85% per annum was £10.8m (2020: £10.8m).

The remaining expense of £0.1m relates to lease liabilities (note 12) and the unwinding of discounts on provisions (note 19).

## 8 Directors' remuneration

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

## 9 Income and deferred tax

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

| | 2021<br>£ 000 | 2020<br>£ 000 |
|---|---|---|
| **Current taxation** | | |
| UK corporation tax | (1,932) | (9,073) |
| UK corporation tax adjustment to prior periods | 11,344 | 342 |
| | 9,412 | (8,731) |
| **Deferred taxation** | | |
| Arising from origination and reversal of temporary differences | (9,244) | 2,642 |
| Effect of tax rate change on opening balance | (3,891) | (1,677) |
| Adjustments in respect of prior periods | (55) | (610) |
| Total deferred taxation | (13,190) | 355 |
| Tax credit in the Statement of Comprehensive Income | (3,778) | (8,376) |

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<br>£ 000 | 2020<br>£ 000 |
|---|---|---|
| Loss before tax | (29,114) | (55,364) |
| Corporation tax at standard rate of 19% (2020: 19%) | (5,532) | (10,519) |
| Adjustments to tax charge in respect of previous periods - current tax | 11,344 | 342 |
| Adjustments to tax charge in respect of previous periods - deferred tax | (55) | (610) |
| Exempt ABGH distributions | - | (71) |
| Expenses not deductible for tax purposes | 3,030 | (14) |
| Increase from effect of capital allowances depreciation | - | (40) |
| Movement in deferred tax not recognised | (889) | 5,115 |
| Remeasurement of deferred tax for changes in tax rates | (11,676) | (2,579) |
| Total tax credit | (3,778) | (8,376) |

## 9 Income and deferred tax (continued)

### 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 are recognised on the statement of financial position as follows:

| 2021 | Asset £ 000 |
|---|---|
| Tax losses carry-forwards | 17,293 |
| Provisions | 78 |
| Accelerated tax depreciation | 9,110 |
| | 26,481 |

| 2020 | Asset £ 000 |
|---|---|
| Tax losses carry-forwards | 11,110 |
| Provisions | - |
| Accelerated tax depreciation | 2,181 |
| | 13,291 |

### 9 Income and deferred tax (continued)

Deferred tax movement during the year:

| | At 1 January 2021 £ 000 | Recognised in income £ 000 | At 31 December 2021 £ 000 |
|---|---|---|---|
| Tax losses carry-forwards | 11,110 | 6,184 | 17,294 |
| Provisions | - | 78 | 78 |
| Accelerated tax depreciation | 2,181 | 6,929 | 9,110 |
| Net tax assets | 13,291 | 13,190 | 26,481 |

Deferred tax movement during the prior year:

| | At 1 January 2020 £ 000 | Recognised in income £ 000 | At 31 December 2020 £ 000 |
|---|---|---|---|
| Tax losses carry-forwards | 12,098 | (988) | 11,110 |
| Provisions | - | - | - |
| Accelerated tax depreciation | 1,548 | 633 | 2,181 |
| Net tax assets | 13,646 | (355) | 13,291 |

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 £000** | 2020 £000 |
|---|---|---|
| Accelerated tax depreciation | **-** | 4,675 |
| Provisions | **319** | 2 |
| Losses | **22,920** | 8,108 |
| **Unrecognised deferred tax assets** | **23,239** | 12,785 |

## 10 Intangible assets

| | Trademarks, patents and licenses £ 000 | Internally generated software development costs £ 000 | Software under construction £ 000 | Computer software £ 000 | Total £ 000 |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| At 1 January 2021 | 46 | 4,265 | 814 | 19,036 | 24,161 |
| Additions | - | - | 4,247 | 30 | 4,277 |
| Disposals | - | (1,950) | - | (858) | (2,808) |
| Intercompany ad-hoc transfer | - | - | (1,094) | - | (1,094) |
| At 31 December 2021 | 46 | 2,315 | 3,967 | 18,208 | 24,536 |
| **Amortisation** | | | | | |
| At 1 January 2021 | 46 | 3,070 | - | 14,328 | 17,444 |
| Charge for the year | - | 575 | - | 2,900 | 3,475 |
| Amortisation eliminated on disposals | - | (1,950) | - | (858) | (2,808) |
| At 31 December 2021 | 46 | 1,695 | - | 16,370 | 18,111 |
| **Carrying amount** | | | | | |
| At 31 December 2021 | - | 620 | 3,967 | 1,838 | 6,425 |
| At 31 December 2020 | - | 1,195 | 814 | 4,708 | 6,717 |

As at 31 December 2021, the reported disposals include assets held at £Nil NBV which were physically disposed of in prior periods. These assets accounts for £2.4m of the total cost disposals and £2.4m of the total amortisation disposal and therefore have no overall impact on the net book value or the statement of financial position.

## 11 Property, plant and equipment

| | Leasehold improvements £ 000 | Fixtures and fittings £ 000 | Computer equipment £ 000 | Furniture and office equipment £000 | Total £ 000 |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| At 1 January 2021 | 249 | 847 | 16,452 | 620 | 18,168 |
| Additions | - | - | 71 | - | 71 |
| Disposals | (104) | (276) | (1,136) | (58) | (1,574) |
| At 31 December 2021 | 145 | 571 | 15,387 | 562 | 16,665 |
| **Depreciation** | | | | | |
| At 1 January 2021 | 124 | 654 | 15,011 | 481 | 16,270 |
| Charge for the year | 20 | 97 | 692 | 107 | 916 |
| Disposals | (104) | (276) | (1,136) | (58) | (1,574) |
| At 31 December 2021 | 40 | 475 | 14,567 | 530 | 15,612 |
| **Carrying amount** | | | | | |
| At 31 December 2021 | 105 | 96 | 820 | 32 | 1,053 |
| At 31 December 2020 | 125 | 193 | 1,441 | 139 | 1,898 |

As at 31 December 2021, the reported disposals include assets held at £Nil NBV which were physically disposed of in prior periods. These assets accounts for £0.6m of the total cost disposals and £0.6m of the total depreciation disposal and therefore have no overall impact on the net book value or the statement of financial position.

## 12 Leases

**Right-of-use assets**

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

| | Property £ 000 | Non-property £ 000 | Total £ 000 | Lease Liabilities £ 000 |
|---|---|---|---|---|
| At 1 January 2021 | 243 | 1,318 | 1,561 | (6,016) |
| Additions | - | 296 | 296 | (296) |
| Terminations and modifications | (40) | (7) | (47) | 1,148 |
| Depreciation charged for the year | (142) | (477) | (619) | - |
| Interest expense | - | - | - | (138) |
| Lease payments | - | - | - | 701 |
| At 31 December 2021 | 61 | 1,130 | 1,191 | (4,601) |
| Non-current lease liabilities | - | - | - | (4,015) |
| Current lease liabilities | - | - | - | (586) |

The table below provides a schedule of the movements in the carrying amount of the right-of-use assets and lease liabilities held on the Statement of Financial Position during the year ended 31 December 2020.

| | Property £ 000 | Non-property £ 000 | Total £ 000 | Lease Liabilities £ 000 |
|---|---|---|---|---|
| At 1 January 2020 | 687 | 23 | 710 | (5,439) |
| On business combinations | - | 1,654 | 1,654 | (1,653) |
| Terminations and modifications | 1 | (27) | (26) | 17 |
| Depreciation charged for the year | (445) | (332) | (777) | - |
| Interest expense | - | - | - | (185) |
| Lease payments | - | - | - | 1,244 |
| At 31 December 2020 | 243 | 1,318 | 1,561 | (6,016) |
| Non-current lease liabilities | - | - | - | (5,384) |
| Current lease liabilities | - | - | - | (632) |

### 12 Leases (continued)

| | 2021<br>£ 000 | 2020<br>£ 000 |
|---|---|---|
| **Expense relating to variable lease payments not included in the measurement of the lease liability (recognised within other operating expenses)** | | |
| Service charges | 30 | 201 |
| Insurance rent | - | 14 |
| Other | 55 | 287 |
| | 85 | 502 |

During the year ended 31 December 2021, the total cash outflows for leases was £0.8m (2020: £1.7m).

**Maturity analysis**

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

| | 2021<br>£ 000 | 2020<br>£ 000 |
|---|---|---|
| Within one year | 1,623 | 1,952 |
| In one to five years | 3,249 | 4,265 |
| In over five years | 561 | 43 |
| Total undiscounted value | 5,433 | 6,260 |

### 13 Investments in subsidiaries

| | 2020<br>£ 000 |
|---|---|
| **Cost or valuation** | |
| At 1 January 2021 | 482,377 |
| Additions | 33,157 |
| At 31 December 2021 | 515,534 |
| **Provision for impairment** | |
| At 1 January 2021 | 242,900 |
| At 31 December 2021 | 242,900 |
| **Carrying amount** | |
| At 31 December 2021 | 272,634 |
| At 31 December 2020 | 239,477 |

*Impairment review*

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

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

The FVLCD of each investment in subsidiaries was derived based on its net assets and by allocating its relative proportion of the Group FVLCD, on the basis of forecast EBITDA attributable to that entity for 2021, as derived from the three-year plan. This most accurately reflects the perspective of external market participants as it incorporates the Company's future investment plans and strategic objectives for each investment in subsidiaries.

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

## 13 Investments in subsidiaries (continued)

*Subsidiaries*

Details of the direct subsidiaries as at 31 December 2021 are as follows. A comprehensive list of all direct and indirect subsidiaries can be found in the financial statements of The Ardonagh Group Limited.

Unless stated otherwise, the registered office of the subsidiaries detailed below is: 2 Minster Court, Mincing Lane, London, EC3R 7PD:

| Name of subsidiary | Principal activity | Country of incorporation and principal place of business | Proportion of ownership interest and voting rights held 2021 | 2020 |
|---|---|---|---|---|
| Broker Network Holdings Limited (1) | Holding company | England | 100% | 100% |
| Cullum Capital Ventures Limited (and subsidiaries) | Holding company | England | 100% | 100% |
| Towergate Financial (Group) Limited (and subsidiaries) | Holding company | England | 85.1% | 85.1% |
| Towergate Risk Solutions Limited (and subsidiaries) | Holding company | England | 100% | 100% |
| Mastercover Insurance Services Limited (2) | Insurance broker | England | 100% | 100% |
| Ardonagh Overseas Investments Limited (and subsidiaries) | Holding company | England | 100% | 100% |
| Nevada 5 Topco Limited (and subsidiaries) (3) | Holding company | Cayman Islands | 100% | 100% |

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

(1) Registered office address is Hexagon House Grimbald Crag Close, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ
(2) Registered office address is 2 Oaks Court, Warwick Road, Borehamwood, Hertfordshire, England, WD6 1GS.
(3) Registered office address is PO BOX 309 Ugland House, Grand Cayman Ky1-1104, Cayman Islands.

## 14 Trade and other receivables

| | 2021<br>£ 000 | 2020<br>£ 000 |
|---|---|---|
| Receivables from other Group companies | 885,397 | 846,528 |
| Loans to related parties | 334,874 | 317,182 |
| Accrued income | 298 | 514 |
| Prepayments | 7,518 | 3,616 |
| Other receivables | 47,607 | 65,722 |
| **Total current trade and other receivables** | 1,275,694 | 1,233,562 |

During the year, the Company made an additional provision of £0.1m (2020: £0.3m) against receivables from related parties, bringing the total provision to £41.4m (2020: £41.3m) at the year end. For more details on related party balances please see note 22.

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

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

## 15 Cash and cash equivalents

| | 2021<br>£ 000 | 2020<br>£ 000 |
|---|---|---|
| Cash at bank | 123,207 | 5,117 |

## 16 Trade and other payables

| | 2021 £ 000 | 2020 £ 000 |
|---|---|---|
| **Non-current trade and other payables** | | |
| Other payables | 2,817 | 3,560 |

| | 2021 £ 000 | 2020 £ 000 |
|---|---|---|
| **Current trade and other payables** | | |
| Trade payables | 10,193 | 5,516 |
| Accrued expenses | 19,090 | 15,107 |
| Amounts due to other Group companies | 794,848 | 608,712 |
| Social security and other taxes | 4,846 | 5,316 |
| Outstanding defined contribution pension costs | 1,027 | 1,032 |
| Other payables | 964 | 793 |
| Deferred income | 62 | - |
| | 831,030 | 636,476 |

Amounts due to other Group companies includes balances to related parties which details can be found in note 22. All of the balances are unsecured, interest free and payable on demand.

## 17 Borrowings

| | 2021 £ 000 | 2020 £ 000 |
|---|---|---|
| **Current loans and borrowings** | | |
| Interest payable on loan | 72,917 | 62,120 |
| Subordinated loans | 122,000 | 122,000 |
| | 194,917 | 184,120 |

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

## 18 Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The total cost charged to the Statement of Comprehensive Income of £0.6m (2020: £0.4m) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans.

As at 31 December 2021, contributions of £1.0m (2020: £1.0m) due in respect of the current reporting year had not been paid over to the schemes and are included in trade and other payables.

## 19 Provisions

| | Dilapidations £ 000 | Onerous lease £ 000 | ETV £ 000 | Other provisions £ 000 | Total £ 000 |
|---|---|---|---|---|---|
| At 1 January 2021 | 676 | 9 | - | 14 | 699 |
| Additional provisions made during the year | 26 | 1,350 | 2,571 | - | 3,947 |
| Utilised during the year | (378) | (86) | (937) | (7) | (1,408) |
| Unwind of Discount* | - | 4 | - | - | 4 |
| At 31 December 2021 | 324 | 1,277 | 1,634 | 7 | 3,242 |
| Non-current liabilities | - | 968 | - | - | 968 |
| Current liabilities | 324 | 309 | 1,634 | 7 | 2,274 |

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

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

ETV - relates to obligations to make redress payments in respect of past pension transfer advice provided by the Towergate Financial companies which are under common control. The balance has transferred to ASL following confirmation from the Financial Conduct Authority the Past Business Review completed to its satisfaction.

Other provisions - relate to obligations from restructuring the finance function.

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

## 20 Share capital

### Allotted, called up and fully paid shares

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **No.** | **£** | **No.** | **£** |
| Ordinary A of £0.01 each | 33,937,166,125 | 339,371,661 | 33,178,470,268 | 331,784,703 |
| Deferred B of £1,407,307,331 each | 1 | 1,407,307,331 | 1 | 1,407,307,331 |
| | 33,937,166,126 | 1,746,678,992 | 33,178,470,269 | 1,739,092,034 |

On 19 April 2021, 758,695,857 ordinary A shares, with a nominal value of £7,586,959, were allotted for a total consideration of 13,364 ordinary A shares in Nevada 5 Topco Limited. These shares were fully subscribed by Ardonagh Finco plc, the parent of Ardonagh Services Limited and a company under common control.

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

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

## 21 Commitments

As of 19 August 2021, the list of group company guarantors was reduced to Ardonagh Finco Plc and Ardonagh Services Limited as guarantors under both the £1.575 billion Senior Facilities Agreement and the $500m Senior unsecured Notes, with Ardonagh Midco 3 Plc being the Issuer of the private debt and a guarantor of the public notes.

## 22 Related party transactions

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

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

| | 2021 Paid to £ 000 | 2021 Received from £ 000 | 2021 (Due to) /receivable from at year end £ 000 | 2020 Paid to £ 000 | 2020 Received from £ 000 | 2020 (Due to) /receivable from at year end £ 000 |
|---|---|---|---|---|---|---|
| Towergate Financial (London) Limited* | - | - | - | - | 365 | - |
| Towergate Financial (West) Limited | - | (7,573) | (9,362) | 167 | - | (1,789) |
| Towergate Financial (North) Limited | - | - | - | 2,156 | - | - |
| Towergate Financial (Scotland) Limited | - | - | - | - | (8,889) | - |
| Towergate Financial (East) Intermediate Limited * | - | - | 2,959 | - | - | 2,959 |
| Towergate Financial (East) Limited | - | (3,685) | (9,091) | 20 | - | (5,406) |
| Towergate Financial (West) Holdings Limited * | - | - | 4,124 | - | - | 4,124 |
| Towergate Financial (Scotland) Holdings Limited * | - | - | 2,617 | - | - | 2,617 |
| Towergate Financial (East) Holdings Limited * | - | - | - | - | 6,731 | - |
| Towergate Financial (North) Holdings Limited * | - | - | - | - | 5,997 | - |
| Towergate Financial (Group) Limited * | 105 | - | 18,592 | 341 | - | 18,487 |
| Oyster Risk Solutions Limited | 2,669 | - | 24,361 | 2,502 | - | 21,692 |
| Oyster Property Insurance Specialists Limited | - | - | 1,482 | - | - | 1,482 |
| Nevada Investments 1 Limited | - | - | 60 | 60 | - | 60 |

### 22 Related party transactions (continued)

* During the year, the Company made an additional provision of £0.1m (2020: £0.4m) against receivables from related parties, bringing the total provision to £41.4m (2020: £41.3m) at the year end, against the receivables from the Towergate Financial Group companies as disclosed in note 6.

### 23 Parent and ultimate parent undertaking

The Company's immediate parent company is Ardonagh Finco plc and the ultimate parent company is Tara Topco Limited, (note 24).

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

2 Minster Court
Mincing Lane
London
EC3R 7PD

### 24 Subsequent events

Following the satisfaction of closing conditions on 31 May 2022, Ardonagh has obtained a significant new equity investment into the Group led by existing long-term shareholders MDP and HPS, alongside new co-investors through accounts managed by MDP and HPS. Under the terms of the transaction, funds affiliated with MDP have increased their shareholding in the Group, and HPS has reinvested in the Group. Co-investors, including a wholly owned subsidiary of the 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.