THE Ardonagh GROUP

ARDONAGH MIDCO 2 plc

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

Registered number 10679958

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Other than the information contained in Section 2 (Audited Consolidated Financial Statements), the information and opinions contained in this document have not been audited or necessarily prepared in accordance with International Financial Reporting Standards (IFRS) and are subject to change without notice. The financial results in other sections of this document include certain financial measures and ratios, including EBITDA, Adjusted EBITDA, Adjusted EBITDA Pro Forma for Completed Transactions and certain other related measures that are not presented in accordance with IFRS and are unaudited. These measures may not be comparable to those of other companies. Reference to these non-IFRS financial measures should be considered in addition to IFRS financial measures but should not be considered a substitute for results that are presented in accordance with IFRS.

The information contained in this document, including but not limited to any forward-looking statements, is provided as of the date hereof and is not intended to give any assurance as to future results. No person is under the obligation to update, complete, revise or keep current the information contained in this document, whether as a result of new information, future events or results or otherwise. The information contained in this document may be subject to change without notice and will not be relied on for any purpose.

Certain data contained in these financial results, including financial information, may be subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables may not conform exactly to the total figure given for that column or row.

DISCLAIMER

This report comprises three sections and should be read in conjunction with the investor presentation, issued at the same time as this report and is available on the website;
https://www.ardonagh.com/investors/financial-results.

Section 1: Business review for the twelve months ended 31 December 2021. Financial information in Section 1 has been presented on Reported and Pro Forma bases. Information shown on a Reported basis is presented in accordance with International Financial Reporting Standards as adopted by the United Kingdom (IFRSs as adopted by the UK) with acquisitions, disposals and refinancing transactions reflected from the date the acquisition or refinancing completed. Pro Forma for Completed Transactions are presented as if significant acquisitions, disposals, loan asset investments and refinancing transactions occurred on the first day of the comparative period and therefore current and prior period information is presented on a like-for-like basis to enable meaningful comparisons to be made. Significant acquisitions and disposals included in the Pro Forma for Completed Transactions information are the acquisition of Headley Holdings Limited (completed 5 January 2021), the acquisition of MCM Insurance Brokers Limited (completed 14 January 2021), the acquisition of Resilium Pty Limited (completed 15 February 2021), the acquisition of Hera Indemnity Limited (completed 2 March 2021), the acquisition of AccuRisk Solutions LLC (completed 30 March 2021), the acquisition of the business and assets of Hemsley Wynne Furlonge LLP (completed 31 March 2021), the acquisition of Marmalade Limited (completed 31 March 2021), the acquisition of Chambers and Newman Limited (completed 1 April 2021), the acquisition of Thompson & Bryan (UK) Limited (completed 1 April 2021), the acquisition of the business and assets of Murton Alexander Limited (completed 1 April 2021), the acquisition of the business and assets of Be Wiser Insurance Services Limited (completed 30 April 2021), the acquisition of the business and assets of AFL Retail Limited (completed 1 May 2021), the acquisition of Drayton Ins. Limited (completed 1 June 2021), the acquisition of Tandem Medical Solutions (completed 24 June 2021), the acquisition of Brian J Pierce Limited (completed 2 July 2021), the acquisition of Price Forbes Chile (completed 9 July 2021), the acquisition of Insurance Mentor Pty Limited (completed 2 August 2021), the acquisition of Usay Group Limited (completed 1 September 2021), the acquisition of Cornerstone Risk Group Pty Limited (completed 10 September 2021), the acquisition of SIB (Holdings) Limited (completed 1 October 2021), the acquisition of Starlingspell Limited, O'Donoghue Hooper Dolan Insurances Limited, Galway Hooper Dolan Insurances Limited, Gorman Hooper Dolan Insurances Limited, Bermingham Hooper Dolan Insurances Limited, Cavanagh Hooper Dolan Insurances Limited, County Hooper Dolan Insurances Limited and McCormack Hooper Dolan insurances Limited, (all completed 1 October 2021), and the acquisition of Ed Broking Group Limited and Besso Insurance Group Limited (completed on 1 November 2021).

In 2020, the significant acquisitions and disposals included in the Pro Forma for Completed Transactions information include the disposal of the Milburn Insurance Brokers business (completed 1 November 2020), the acquisition of a business and certain assets of Rural Insurance Group Limited (completed 28 February 2020), the acquisition of the Nevada 5 Topco Limited group of businesses (including Arachas Topco Limited; completed 14 July 2020), the acquisition of the Nevada 4 Midco 1 Limited group of businesses (including Bravo Investment Holdings Limited; completed 14 July 2020), the acquisition of Thames Underwriting Limited (completed 12 August 2020), the acquisition of Guy Penn & Company Limited (completed 13 August 2020), the acquisition of Lloyd Latchford Group Limited (completed 30 September 2020), the acquisition of the marine and leisure business and certain assets from KGM Underwriting Services Limited (completed 1 November 2020) and the acquisition of the Robus Group Limited group of businesses (completed 1 December 2020). Refinancing transactions included in the Pro Forma relate to the Group refinancing completed on 14 July 2020, and the renegotiation of interest rates agreed on 19 August 2021.

Section 2: Audited consolidated financial statements for the twelve months ended 31 December 2021. Information presented in this section is in accordance with IFRS as adopted by the UK with acquisitions, disposals and refinancing transactions reflected from the date the acquisition or refinancing completed.

Section 3: Other unaudited financial information provides detailed reconciliations between Reported and Pro Forma results and a glossary of terms.

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SECTION 1

ARDONAGH MIDCO 2 PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

UNDERSTANDING ARDONAGH

Ardonagh Midco 2 plc Limited is a holding company and is not regulated. Various subsidiaries of the Group are regulated, as required, to conduct their business. Collectively we are a leading independent insurance distribution platform, connecting clients and premium to global capital.

We offer a highly diversified range of insurance and related products, with customers ranging from multinational corporations to individual consumers.

We have grown through a combination of sustained focus on driving organic growth, operational excellence and a selective and disciplined acquisition programme.

Launched in 2017, Ardonagh strives to foster innovation and empower the highly experienced leadership teams of its specialist platforms while encouraging collaboration and harnessing benefits of scale and the Group's collective experience.

Ardonagh operates through four industry-leading platforms which each trade through several leading customer-facing brands.

Ardonagh Advisory is an advice-led, community-focused set of businesses with an unrivalled local footprint of experts across sectors and specialisms, with national and international reach. It includes the largest independent general insurance SME broker in the UK, a health, wellbeing and protection broker, complex claims specialists and the largest network of independent brokers.

Our Retail platform houses several digital-focused personal lines brands which offer home, motor and pet insurance alongside a range of specialist personal and small business insurance products.

Ardonagh Specialty is the largest independent wholesale broker in the London market with offices around the globe and several specialist brands, combined with an MGA business focused on niche and non-standard insurance, and insurance management services.

Ardonagh International is comprised of Ardonagh Europe and Ardonagh Global Partners. Ardonagh Europe includes Ireland's largest commercial insurance broker and Ardonagh Global Partners is a strategic partner for best-in-class businesses and management teams which predominantly operate outside Europe, leveraging the Group's collective scale and expertise to support growth.

We continue to leverage our scale, client base, decades of industry knowledge, well-invested front and back-office digital and operating platforms, and diverse routes to market, to take advantage of cost and revenue synergy opportunities across the Group and to capitalise on opportunities to provide customers with additional products and services at multiple stages across insurance distribution.

Our highly experienced senior management team have on average over 25 years of sector experience and are supported by a deep bench of revenue-producing talent, specifically targeted for their entrepreneurial spirit and ability to drive sustainable growth. We have highly talented, qualified and committed colleagues across all of our support and corporate functions. Chief Executive Officer, David Ross, has a successful track record in building global brokerages, including leading transformative mergers and acquisitions in the insurance intermediary field.

Our major shareholders are funds managed, advised or controlled by HPS Investment Partners, LLC ("HPS") and Madison Dearborn Partners, LLC ("MDP"), who together hold a combined equity stake of more than 82% at 31 December 2021 and have significant investment experience in the insurance broking and underwriting market.

Subject to customary closing conditions including regulatory approvals expected to close in the first half of 2022, Ardonagh anticipates 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, including a wholly owned subsidiary of the Abu Dhabi Investment Authority ("ADIA"), and several other large global institutions. Under the terms of the transaction, funds affiliated with MDP will increase their shareholding in the Group and HPS will reinvest in the Group. Co-investors, including a wholly owned subsidiary of ADIA and several other large global institutions, will also acquire more than USD 1 billion equity through accounts managed by MDP and HPS as part of the transaction, which values Ardonagh at USD 7.5 billion.

UNDERSTANDING ARDONAGH

HPS is a global investment firm with approximately USD 80 billion of assets under management as of January 2022. HPS was founded in 2007 and manages various strategies that invest across the capital structure, from syndicated leveraged loans and high yield bonds to privately negotiated senior secured debt and mezzanine investments, asset-based leasing and private equity. The scale and breadth of the HPS platform offers the flexibility to invest in companies both large and small, through standard or customised solutions. HPS is headquartered in New York with eleven additional offices worldwide and has 176 investment professionals and over 450 employees globally as of January 2022.

MDP, based in Chicago, is a leading private equity investment firm. Since MDP's formation in 1992, the firm has raised eight funds with aggregate capital commitments of over USD 27 billion and has completed investments in over 150 companies. MDP has five dedicated teams that have long and successful track records of investing in their respective sectors: Basic Industries; Business & Government Software and Services; Financial & Transaction Services; Healthcare; and Telecom, Media & Technology Services. Funds managed by MDP are a lead investor in NFP Corp., a US-based insurance broker/consultant, The Amynta Group, a leading provider of warranty and specialty insurance solutions in North America, and Navacord Inc., a Canadian based insurance and risk management brokerage firm.

A world leading independent insurance distribution platform
Our position as a leading independent broking platform of scale provides us with significant competitive advantages. We are able to leverage the scope of the premium we place in the market and the depth of customer understanding to clients' benefit. This was brought to life with new initiatives in 2021 such as a cross-class capacity solution developed in Ardonagh Specialty and our investment in a Global Data and Risk Management Centre in Ireland.

Our portfolio includes several highly regarded specialty brands and our 9,000 professionals are engaged and motivated. We operate scalable and efficient platforms, capable of on-boarding new business at low cost and with low integration risk.

Diversified, resilient earnings base
Our highly diversified range of products are sold through a range of channels to a broad spectrum of customers, across an extensive range of markets, throughout the UK and internationally. This ensures a diversified and resilient earnings base and low reliance on any particular product, distribution channel, customer sector or market, limiting our exposure to any adverse industry developments and mitigating volatility in our overall financial performance.

Additionally, we have relationships with a diverse range of insurance carriers in each of the markets that we serve. This mitigates risks related to over-reliance on a single relationship and enables us to enhance our product offerings for clients. For the year ended 31 December 2021, no single carrier accounted for more than 10% of our total GWP, with the top five carriers in aggregate representing less than 30% of total GWP.

Market leader in numerous specialist niches
We have a depth of expertise in numerous specialist insurance lines, which has been built over decades of management experience. Niche specialty products are highly bespoke and require high levels of product expertise and strong insurance carrier relationships to develop and successfully take to market. Our leadership and frontline expertise developed over many years provides us with a strong competitive advantage both in terms of protecting our market share and in identifying, developing and capitalising upon new products to bring to market. Additionally, we believe the bespoke nature of our niche specialty products supports the development of deep customer relationships, enhanced customer loyalty and customer retention.

Fast-growing, highly cash generative business
The UK and international general insurance market continues to grow, thus validating our ongoing investment in the recruitment of producers. We continue to realise additional cross-selling opportunities to drive incremental growth and to further streamline our operating model. Our business generates free cash flow due to low working capital and maintenance capital expenditure requirements. We target Operating Cash Conversion of above 90% (actual operating cash conversion for Ardonagh for full year 2021 was 96%) and our business model aims to drive continued growth and organic de-leveraging in the future.

OUR BUSINESSES

Our business is organised into four operating platforms that focus on distinct but complementary aspects of the insurance brokerage and services value chain: Ardonagh Advisory, Ardonagh Retail, Ardonagh Specialty and Ardonagh International which are detailed below.

ARDONAGH ADVISORY

Ardonagh Advisory is comprised of: Towergate Insurance Brokers (TIB), Towergate Health and Protection, Footman James, Riskline, Ethos Broking and Bravo Networks, and loss adjusters Thompson & Bryan. They collectively provide a broad array of insurance products, risk management advice and employee benefits to commercial clients and connected individuals from our network of local offices across the United Kingdom.

As a trusted advisor we offer face-to-face, over the telephone or an online relationship to our clients to provide them with a tailored insurance broking service with a wide choice and access to specialist products and solutions designed to meet their individual needs across the full spectrum of commercial, corporate and personal classes. As a member of the Worldwide Broker Network, TIB can collaborate with other independent brokers to deliver cross-border insurance programmes.

TIB and Health and Protection products are sold mainly through face-to-face relationships via the Towergate brand. Riskline is a centre of excellence selling to micro, small and medium enterprises (SME) over the telephone and online. Footman James is a well-respected brand within the classic car insurance sector selling direct to consumers and, as such, aligns to our broader high net worth proposition across Advisory as a whole. Ethos Broking and Bravo Networks provide insurance broking and member services with an SME focus via community broking offices and a network presence. Thompson & Bryan is a chartered loss adjuster which supports businesses and individuals to negotiate with insurers following a complex or major loss.

ARDONAGH RETAIL

Ardonagh Retail includes Atlanta Group, the UK's largest personal lines insurance broker with a number of leading brands. It arranges insurance for over 3 million customers every year – including home, car, caravan, pet, van, motorbike and small business cover. These include high street name Swinton, van specialist Autonet, premier motorcycle insurance provider Carole Nash, young and learner driver specialist Marmalade, Healthy Pets and Be Wiser. Paymentshield is a leading provider and administrator of general insurance solutions distributed through independent financial advisors, mortgage networks and other intermediaries. It is focused on the supply of household related products, such as buildings and contents insurance, mortgage payment protection insurance, income protection and landlord insurance products. Lloyd Latchford works with motor dealers to provide insurance for car brands, and with leasing partners and corporate customers on fleet insurance. Ardonagh Retail operates primarily as a digital broker with products distributed online through price comparison websites and direct channels, with customers able to check policies and make adjustments online or through a contact centre. Atlanta was named personal lines insurance broker of the year at both the UK Broker Awards and the Insurance Times Awards in 2021.

ARDONAGH SPECIALTY

Following the 1 November 2021 acquisition of the insurance operations of BGC Partners Inc, Ardonagh Specialty is the growth platform for specialty insurance and wholesale brokers Besso Insurance, Bishopsgate, Compass London Markets, Ed Broking, Inver Re, Piiq Risk Partners, Price Forbes and our MGA business. As Lloyd's of London brokers, we provide UK and international corporate clients with open market programmes, reinsurance and international solutions designed to empower clients to achieve their strategic ambition. We are leading international wholesale insurance brokers with globally recognised brands that trade in major international insurance and reinsurance markets, including London, Bermuda, Germany, France, South Africa and Chile. MGA primarily focuses on providing bespoke specialist insurance products and services for and on behalf of our strategic insurer partners. MGA is a full service managing general agency, with delegated underwriting authority from insurers while assuming no underwriting liability. MGA focuses on niche and specialty business, including agriculture, non-standard home and political violence, selling through brokers.

OUR BUSINESSES

ARDONAGH INTERNATIONAL

Ardonagh International is comprised of Ardonagh Europe and Ardonagh Global Partners and consists of primarily non-UK broking enterprises and related investments. Ardonagh Europe includes Arachas, the largest SME-focused commercial insurance broker in Ireland with specialised offerings and a nationwide reach that has allowed the business to quickly gain a leading position in its core markets.

Ardonagh Global Partners was formed in 2021 to invest in markets and verticals outside the UK and Europe and to partner with management teams who want to grow faster as part of a larger group whilst retaining operational independence. It includes Resilium, Australia's largest independently owned intermediary network and Ethos Broking Australia which invests in or directly acquires brokers. It also includes Hemsley Wynne Furlonge (HWF), a specialist M&A insurance broker for transaction risks and AccuRisk Solutions, a leading independent MGU in the United States specialising in the fast growing medical-stop loss segment.

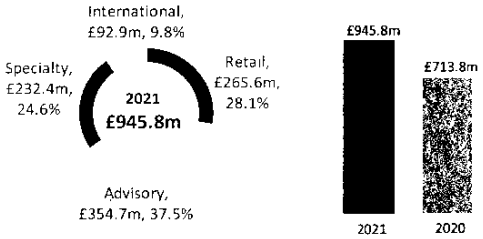
In December 2021, Ardonagh announced that Ardonagh Global Partners agreed to acquire MDS Group (subject to regulatory approvals), a leading insurance broker and risk management advisor across the Portuguese-speaking world and Europe. Headquartered in Porto, Portugal, MDS has offices in Brazil, where it is the country's largest independent broker, as well as Angola, Mozambique, Spain, and Malta. It is the only Portuguese Lloyd's Broker. MDS employs c900 colleagues and manages over €500 million in insurance premiums for c1.2 million private and corporate clients each year.

CORPORATE

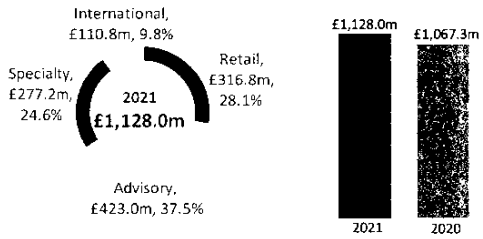
The Group maintains a non-operating segment comprising central costs and income not allocated to the platforms. These costs include Group board costs and Group function costs, including certain legal and regulatory expenses. Income in this segment primarily relates to interest income.

HIGHLIGHTS AND KEY PERFORMANCE INDICATORS
FOR THE YEAR ENDED 31 DECEMBER 2021

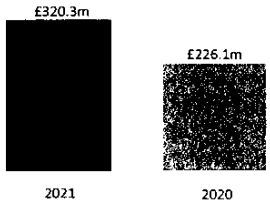
REPORTED

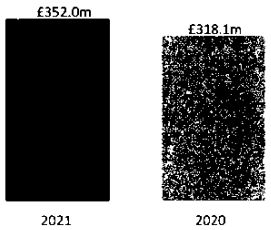


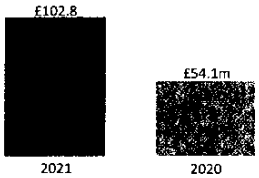
PRO FORMA FOR COMPLETED TRANSACTIONS

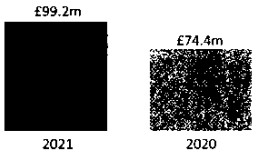


* Includes Non-UK income of £225.9m (2020: £135.2m)









Available liquidity

31 December 2021: £767.1m 31 December 2020: £596.0m

HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

FOR THE YEAR ENDED 31 DECEMBER 2021

Pro Forma measures are used in addition to IFRS measures to improve comparability. Significant acquisitions and disposals included in the Pro Forma for Completed Transactions information are the acquisition of Headley Holdings Limited (completed 5 January 2021), the acquisition of MCM Insurance Brokers Limited (completed 14 January 2021), the acquisition of Resilium Pty Limited (completed 15 February 2021), the acquisition of Hera Indemnity Limited (completed 2 March 2021), the acquisition of AccuRisk Solutions LLC (completed 30 March 2021), the acquisition of the business and assets of Hemsley Wynne Furlonge LLP (completed 31 March 2021), the acquisition of Marmalade Limited (completed 31 March 2021), the acquisition of Chambers and Newman Limited (completed 1 April 2021), the acquisition of Thompson & Bryan (UK) Limited (completed 1 April 2021), the acquisition of the business and assets of Murton Alexander Limited (completed 1 April 2021), the acquisition of the business and assets of Be Wiser Insurance Services Limited (completed 30 April 2021), the acquisition of the business and assets of AFL Retail Limited (completed 1 May 2021), the acquisition of Drayton Ins. Limited (completed 1 June 2021), the acquisition of Tandem Medical Solutions (completed 24 June 2021), the acquisition of Brian J Pierce Limited (completed 2 July 2021), the acquisition of Price Forbes Chile (completed 9 July 2021), the acquisition of Insurance Mentor Pty Limited (completed 2 August 2021), the acquisition of Usay Group Limited (completed 1 September 2021), the acquisition of Cornerstone Risk Group Pty Limited (completed 10 September 2021), the acquisition of SIB (Holdings) Limited (completed 1 October 2021), the acquisition of Starlingspell Limited, O'Donoghue Hooper Dolan Insurances Limited, Galway Hooper Dolan Insurances Limited, Gorman Hooper Dolan Insurances Limited, Bermingham Hooper Dolan Insurances Limited, Cavanagh Hooper Dolan Insurances Limited, County Hooper Dolan Insurances Limited and McCormack Hooper Dolan insurances Limited, (all completed 1 October 2021), and the acquisition of Ed Broking Group Limited and Besso Insurance Group Limited (completed 1 November 2021).

In 2020, the significant acquisitions and disposals included in the Pro Forma for Completed Transactions information are the disposal of the Milburn Insurance Brokers business (completed 1 November 2020), the acquisition of a business and certain assets of Rural Insurance Group Limited (completed 28 February 2020), the acquisition of the Nevada 5 Topco Limited group of businesses (including Arachas Topco Limited; completed 14 July 2020), the acquisition of the Nevada 4 Midco 1 Limited group of businesses (including Bravo Investment Holdings Limited; completed 14 July 2020), the acquisition of Thames Underwriting Limited (completed 12 August 2020), the acquisition of Guy Penn & Company Limited (completed 13 August 2020), the acquisition of Lloyd Latchford Group Limited (completed 30 September 2020), the acquisition of the marine and leisure business and certain assets from KGM Underwriting Services Limited (completed 1 November 2020) and the acquisition of the Robus Group Limited group of businesses (completed 1 December 2020). Refinancing transactions included in the Pro Forma relate to the Group refinancing completed on 14 July 2020, and the renegotiation of rates agreed on 19 August 2021.

Adjusted EBITDA is used by the business as an indication of the underlying profitability of the business. Certain costs have been excluded from Adjusted EBITDA, as set out in the reconciliations in Section 3, to better reflect expected ongoing performance.

Definitions of KPIs and other alternative performance measures (APMs) are set out in the glossary of terms in Section 3.

EXECUTIVE REVIEWS

John Tiner - Chairman of The Ardonagh Group

It seems that each year as I sit down to prepare my Chairman's report, I reflect on a year in which The Ardonagh Group made exceptional progress as a leading international insurance intermediary business, successfully managed a number of challenges emerging from the external environment, furthered its contribution to the societies and communities which we live and work in, and improved its financial performance and resilience. 2021 was no exception.

Underlying the building of The Ardonagh Group since it was formed in 2017, by which time the remediation of the Towergate business was well on track, has been the support of and our partnership with our shareholders, HPS and MDP. We were delighted that in December 2021 they renewed their commitment to the Group, with MDP increasing their shareholding and HPS re-investing in the Group. Co-investors, including a wholly owned subsidiary of the Abu Dhabi Investment Authority, and several other large global institutions, will also acquire more than USD 1 billion equity through accounts managed by MDP and HPS as part of the transaction. The Group has an ambitious programme of growth over the next several years and the stability and quality of our shareholder base, together with our lending partners, provides the foundation for achieving these plans.

As Ardonagh has grown and diversified we have moved to a more decentralised management and operating structure, and as we entered into 2022 we were in the process of extending this further through the way we internally finance and govern the Group through the creation of four platforms: Retail, Advisory, Specialty and International. We have industry leading executive teams running each of these platforms and during 2021 were able to add top industry talent, reflecting the attractiveness of Ardonagh to the best in our industry and further deepening the pool of experience and expertise. The evolving structure brings substantial operating leverage to the Group, enabled Group functions to be slimmed down and provides for a clearer, more efficient risk management and regulatory approach located closer to the underlying businesses. Our leadership teams across the platforms work together cohesively with numerous examples of customers benefitting from this approach and creating processes and solutions across the Group which represent the 'best of the best' within it.

Our businesses and people continued to be recognised as leaders in our industry with Atlanta, part of Ardonagh Retail, being named Personal Lines Broker of the Year and Rob Worrell, CEO of Ardonagh Advisory being named Broker Personality of the Year.

In 2021, the Group continued to increase its revenue organically with a 7% rise in pro forma income and to expand its footprint through acquisition. We were particularly thrilled that the leadership teams of BGC Partners' insurance operations and MDS Group, the leading insurance broker in Portugal and Brazil, were able to work with their then owners to reach mutual agreement that Ardonagh would be the best choice for them to further develop their businesses. The addition of Besso, Ed and Piiq Risk Partners has brought substantial scale, international reach and new lines of business to our Specialty platform. MDS shares many of the characteristics we see in Ardonagh and will be a key foundation in the build-out of our international business, including their leading role in Brokerslink, the network of brokers throughout 122 countries around the world. I would like to welcome colleagues from BGC and MDS to The Ardonagh Group.

The financial performance of the Group was strong with all measures well ahead of 2020. Reported income up 32% at £946m, Adjusted EBITDA up 39% at £320m, operating cash conversion of 96% and available cash at the year-end of £411m, is reflective of our focus on serving our customers to the best of our ability at all times and on running an efficient, digitally enabled and cost-effective business.

EXECUTIVE REVIEWS

In 2021 there were a number of important regulatory policy developments impacting on the UK insurance intermediary sector, most notably those covering Operational Resilience and Fair Value and Pricing. The Operational Resilience rules require there to be a robust framework for customer protections during business disruption events. The Fair Value rules came into force on 1 October 2021 and require all insurers to gather evidence that their products offer customers fair value. New pricing rules affecting private motor and household insurances came into effect on 1 January 2022. Overall, these policies are designed to create a better, fairer market for consumers including during periods of business disruption. Ardonagh's UK businesses have made the required amendments to its products and processes and will continue to keep them under review to ensure ongoing compliance.

A further significant development in UK regulatory policy has been the FCA's proposal to replace the 'Treating Customers Fairly' principle with a 'Consumer Duty' aimed at securing a higher standard of good customer outcomes. As the proposals are in line with an existing requirement for insurers to act in customer's best interests, we anticipate modest changes to our processes as the rules around Consumer Duty are finalised.

It is important to remember that in 2021 many families and businesses continued to be severely impacted by the Covid pandemic and I am pleased that the Group was able to continue to provide a level of support to our employees and customers which would help them come through this prolonged period of worry and uncertainty.

One of the harmful aspects of the employment market in the UK has been the gender pay gap. While there is undoubtedly further investment to be made, I was pleased to see the Advisory platform as one of only 46 businesses recognised in the Princess Royal Training Awards this past year in recognition of its Women in Leadership programme which continues to go from strength to strength and has resulted in the promotion of its participants. Similarly, we have intensified our work to foster an employee base drawn from all parts of society led by our Retail platform, where Ian Donaldson's leadership both within the Group and nationally, through his initiative to form Football for Change in the North West, has been outstanding. His work to champion equality and social mobility was recently recognised at the prestigious British Diversity Awards where he was named Diversity Champion of the Year.

Supporting our communities

For all of us at Ardonagh, the work of the Ardonagh Community Trust (ACT) continues to be uppermost in our priorities and in light of the hardship and personal challenges many faced through the pandemic and now the shocking humanitarian crisis unfolding in Ukraine, its contribution has never been more critical. ACT continued to support initiatives proposed by our colleagues to help communities throughout the UK, to help those in distress through our charity partner The Samaritans and most recently through our contribution to the Red Cross Ukraine Appeal. As with many businesses, households, charities and government agencies throughout the UK, ACT, together with Ardonagh as a significant employer, will continue to assess how it can best make a difference to the plight of the Ukraine people whose lives have been thrown into turmoil by the Russian invasion.

We were delighted to welcome Rory Best to The Ardonagh Group and as a Trustee of ACT. Rory has brought Ardonagh the leadership and tenacity he displayed on the rugby field as captain of Ireland and a two-time British & Irish Lion. Moreover, he has brought his deep sense of fairness and determination to help people in need, expressed in an extraordinary way through his 180 mile walk from the Cancer Fund for Children's therapeutic centre, Daisy Lodge in Newcastle Co. Down to the site of a proposed new Daisy Lodge centre in Mayo ('Miles to Mayo') raising an incredible sum of over €1m.

We are fortunate to work among a wonderful group of colleagues throughout The Ardonagh Group and I would like to thank each and every one of them for their contribution across the board in 2021.

John Tiner

EXECUTIVE REVIEWS

David Ross - CEO of The Ardonagh Group

Ardonagh is a portfolio of insurance platforms which have been deliberately assembled and invested in since 2015. From the beginning we set out to create an environment which could attract and develop the best businesses and where entrepreneurial spirit was retained and harnessed.

The Group we have built is unique in our industry both because of our diversification and our operating model, with each platform operationally integrated and independent of each other. Between them there is strong cultural alignment and peer accountability, amplifying the best of our collective experience and using our combined size to our clients' benefits.

It's easy for businesses to standardise everything as they grow. We never wanted to be just another big company, and it is this balance between scale and autonomy that is behind our success to date. We will always focus our integration on centralised buying power without changing the front end of sales distribution, and our acquisitions on leadership and culture.

The strength of that model was resoundingly endorsed by new equity investment led by our long-term shareholders, which we announced at the end of 2021.

2021 was also a defining year because of the transformational acquisitions we made to expand our model internationally. During the year we launched Ardonagh International with the creation of Ardonagh Global Partners and Ardonagh Europe. We welcomed colleagues from Australia and the USA and were privileged to end the year with an agreement to acquire MDS Group, a renowned global platform and our largest international acquisition to date.

Ardonagh International is an area where we continue to see huge potential to partner with leading management teams who can harness the opportunities that come with being part of a group of Ardonagh's size and unwavering commitment to independence. Momentum here is growing with MDS and our global wholesale presence building visibility and warm leads.

Just a month before signing MDS we completed the USD 500 million acquisition of BGC's insurance operations. With Ed Broking, Besso and Piiq Risk Partners joining Price Forbes, Bishopsgate and Compass London Markets and Inver Re in November, Ardonagh Specialty has become the largest independent broking platform in the London Market.

As well as bringing together complementary teams of experts and deep client relationships, these brands will mutually benefit from each other's proprietary placement and client-facing technology platforms.

After years of investment, we launched an exclusive cross class follow capacity solution for Price Forbes clients in April, which is now backed by three carriers, with USD 600 million client premium in scope. With that model successfully established, we will look to extend that capability to other Specialty brands and continue to connect clients with capital in the most innovative manner.

Reinsurance is another strategic priority. Inver Re launched in 2021 as a real challenger in reinsurance. Its development will leverage Group infrastructure around digital trading and placement and analytical capabilities.

Investing in our data strategy is something that cuts across the whole Group. Last summer we secured support from the Irish government to open a Global Data and Risk Management Centre that will create 60 roles across data science and analysis to provide data-driven risk insights to clients globally, becoming a resource available to the whole of Ardonagh.

Our Retail business continues to develop digital ways of servicing customers. For instance, in Swinton, Retail's biggest brand, 25% of mid-term adjustments and 30% of renewals were conducted through a new digital portal.

EXECUTIVE REVIEWS

Recognition

Our businesses move in synchronisation to harness scale but recognise the strength of each other's differences and hold fast to what made them great in the first place. The diversified business this has created was recognised by our shareholders who reaffirmed their commitment to Ardonagh with a new equity investment that endorsed everything we have built since the Group was launched.

All of our achievements leading up to this moment are thanks to the dedication of our 9,000 people. We are proud to recognise this with a £1,000 bonus to our colleagues in recognition of every individual who helped us towards that moment.

Looking after those colleagues, beyond remuneration, remains a top priority. We invest heavily in training and development, are focused on mental and physical wellbeing as our work practices have changed and believe in treating all people with respect and dignity.

We were therefore pleased to see high positivity scores across the business in our annual employee survey after a year that was personally challenging for so many. Our people said they felt inspired to do the best that they can, that they feel proud to be part of Ardonagh and that their part of the Group has a strong sense of direction.

As the 'return to the office' debate continues across the country, our own response is that no one size fits all. We have a whole spectrum of hybrid working solutions within the segments, a reflection of the fact that we recognise that different platforms will have different needs and empowered leadership teams who are well equipped to meet them.

Successive lockdowns have shown us that not all work needs to be performed in an office all of the time. We owe our people a duty to carry this with us. It should allow us to recruit more diversely, for example making it easier for people to continue their career progression after starting families.

We also remain cognisant of the need to protect a dynamic environment where younger members of staff can learn from more experienced colleagues and to continually foster collaboration and facilitate conversations about opportunities between all parts of the group. We will continue to connect colleagues around the world with events like our award winning Radio Ardonagh shows, Spotlight awards and a number of planned face-to-face events and roadshows.

2021 has laid the foundations for a very exciting period of the Group. We enter 2022 with strength and an abundance of opportunity to consolidate our base in the UK and Ireland, forge new connections across the globe and deepen connections with each other.

David Ross

CHIEF FINANCIAL OFFICER'S REPORT

Diane Cougill – CFO of The Ardonagh Group

Financial Performance

In 2021, we demonstrated the strength of our innovative business model, delivering revenue growth, improved operating profit and were cash generative whilst increasing our local and global footprint through a series of select and targeted acquisitions. Reported revenue of £945.8m (2020: £713.8m) represents a 32.5% increase whilst operating profit of £102.8m (2020: £54.1m) has increased by 90.0%.

	Reported			Pro Forma for Completed Transactions		
Year ended 31 December (£ million)	**2021**	2020	**Change**	**2021**	2020	**Change**
Total Income	**945.8**	713.8	**232.0**	**1,128.0**	**1,067.3**	**60.7**
Adjusted EBITDA	**320.3**	230.7	**89.6**	**352.0**	**318.1**	**33.9**
EBITDA	**224.4**	158.4	**66.0**	**246.3**	**225.0**	**21.3**
Operating Profit	**102.8**	54.1	**48.7**	**99.2**	**74.4**	**24.8**
Loss for the Year	**(71.9)**	(199.4)	**127.5**	**(86.8)**	**(155.6)**	**68.8**

Reported results

Total income increased by £232.0m to £945.8m (2020: £713.8m). Growth has been driven by acquisitions combined with strong underlying organic growth of +7.3% for the year.

Acquisitions completed by the Group are included in the results from the date they were acquired. The acquisitions completed in the year and the dates they were acquired are: Headley Holdings Limited on 4 January 2021; MCM Insurance Brokers Limited on 14 January 2021; Resilium Pty Limited on 15 February 2021; Hera Indemnity Limited on 2 March 2021; AccuRisk Solutions LLC on 30 March 2021; the business and assets of Hemsley Wynne Furlonge LLP on 31 March 2021; Marmalade Limited on 31 March 2021; Chambers and Newman Limited on 1 April 2021; Thompson & Bryan (UK) Limited on 1 April 2021; the business and assets of Murton Alexander Limited on 1 April 2021; the business and assets of Be Wiser Insurance Services Limited on 30 April 2021; the business and assets of AFL Retail Limited on 1 May 2021; Drayton Ins. Limited on 1 June 2021; Tandem Medical Solutions on 24 June 2021; Brian J Pierce Limited on 2 July 2021; Price Forbes Chile on 9 July 2021; Insurance Mentor Pty Limited on 2 August 2021; Usay Group Limited on 1 September 2021; Cornerstone Risk Group Pty Limited on 10 September 2021; SIB (Holdings) Limited on 1 October 2021; Starlingspell Limited, O'Donoghue Hooper Dolan Insurances Limited, Galway Hooper Dolan Insurances Limited, Gorman Hooper Dolan Insurances Limited, Bermingham Hooper Dolan Insurances Limited, Cavanagh Hooper Dolan Insurances Limited, County Hooper Dolan Insurances Limited and McCormack Hooper Dolan insurances Limited on 1 October 2021; and Ed Broking Group Limited and Besso Insurance Group Limited on 1 November 2021.

CHIEF FINANCIAL OFFICER'S REPORT

Financial Performance *(continued)*

Adjusted EBITDA increased by £89.6m to £320.3m (2020: £230.7m) through a combination of acquisitions and organic growth, with the added impact of cost saving initiatives converting into reported earnings. This metric excludes spend considered by management to be material and specific to the Group's significant transformation initiatives including acquisition and financing costs, regulatory costs, transformational hires, business transformation, legacy costs and other costs. Transformational hires represent investment in teams and individuals to drive future transformational growth, primarily in the Specialty platform. This includes recruitment costs, sign-on fees, retention and other costs. Business Transformation represents costs to deliver benefits from ongoing transformation and cost reduction projects plus integration costs to realise synergy benefits from recent acquisitions. Regulatory costs include costs associated with the redress programme in respect of historical pension transfer advice (enhanced transfer values ("ETV"), with the programme now closed). Other costs include Covid-19 and share-based payment schemes.

EBITDA has increased by £66.0m to £224.4m (2020: £158.4m) driven by a £89.6m improvement in Reported Adjusted EBITDA with some offset from an increase in exceptional costs mainly as a result of acquisition and financing activities. Cost savings are expected to continue to deliver into underlying EBITDA as programmes continue across all our operating segments.

Operating profit improved by £48.7m to a profit of £102.8m (2020: £54.1m), with Advisory and Retail reporting a £21.8m and £14.9m improvement, respectively, on the prior year. The uplift across the Group is primarily due to the impact of acquisitions combined with strong organic income growth and the delivery of cost savings.

Loss for the year improved by £127.5m to £(71.9)m (2020: £(199.4)m). In addition to the £48.7m improvement in operating profit, there has been a reduction in financing costs due to one-off costs in the FY20 comparative period associated with the group refinancing arrangements that year, combined with a decrease in tax charges.

Pro Forma for Completed Transactions results

The Pro Forma results reflect material acquisitions or disposals as if they had occurred on 1 January of the immediately preceding comparative period.

Total Income increased by £60.7m to £1,128.0m (2020: £1,067.3m) after adjusting for completed acquisitions. Strong organic revenue growth has been recorded in International, Specialty and Advisory, with a small decline in Retail largely due to market volatility towards the end of 2021.

Adjusted EBITDA increased by £34.0m to £352.0m (2020: £318.1m) after adjusting for completed acquisitions. Very strong organic growth has been seen in all platforms (except Retail which is flat) through a combination of income growth in both existing and newly acquired businesses and the delivery of significant cost savings through ongoing programmes.

EBITDA increased by £21.3m to £246.3m (2020: £225.0m) after adjusting for completed acquisitions, which reflects the Adjusted EBITDA performance.

Operating profit improved by £24.8m to £99.2m (2020: £74.4m) after adjusting for completed acquisitions. The improvement reflects the increased EBITDA as described above.

Loss for the year improved by £68.8m to £(86.8m (2020: £(155.6)m) after adjusting for completed acquisitions. This primarily reflects the £24.7m improvement in Pro Forma for Completed Transactions Operating Result, combined with a reduction in tax charges.

A detailed reconciliation between Reported and Pro Forma for Completed Transactions results can be found in Section 3 of this report.

CHIEF FINANCIAL OFFICER'S REPORT

Financial Condition

The Group's Statement of Financial Position as at 31 December 2021 is presented below. Over the year the Group has reported an increase in net current and net assets due to the positive impact of the acquisitions in the year:

Extracts from the statement of financial position	**Year ended 31 December 2021 £ million**	Year ended 31 December 2020 £ million
Intangible assets	**2,332.3**	1,635.3
Property, plant and equipment	**29.4**	27.1
Other non-current assets	**170.7**	87.5
Non-current assets	**2,532.4**	1,749.9
Cash and cash equivalents	**1,335.3**	585.6
Current assets - excluding cash and cash equivalents	**752.8**	334.8
Current liabilities	**(1,719.9)**	(761.4)
Net current assets	**368.2**	159.0
Non-current liabilities	**(2,816.8)**	(2,050.3)
Net assets/(liabilities)	**83.8**	(141.4)

Intangible assets increased by £697.0m during the year driven primarily by the acquisition activity in the 12 month period. Material additions can be attributed to Ed Broking Group Limited and Besso Insurance Group Limited, (£363.5m), Usay Group Limited (£71.4m), Hemsley Wynne Furlonge LLP (£61.0m), the Hooper Dolan companies (£54.4m), and Resilium Bidco Pty Limited (£48.2m).

The £418.0m increase in current assets during the year, excluding cash and cash equivalents, an increase in insurance debtors of £86.4m largely as a result of acquisitions made during the year (primarily Ed Broking Group Limited and Besso Insurance Group Limited), coupled with increases in other debtors, other assets and prepayments again largely as a result of acquisitions made during the year. In addition, contingent consideration receivable has increased by £25.0m. This is partially offset by a reduction in the held for sale assets of £(24.0)m relating to the disposal of Bennetts.

Current liabilities have increased by £958.5m during the year, largely attributable to liabilities assumed on acquisition. Material movements include an increase in insurance creditors of £(479.5)m, an increase in contingent consideration payable of £(20.3)m and the Group's derivatives which hedge foreign exchange risk of £(47.0)m. In addition, there has also been an increase in accruals of £(57.6)m largely driven as a result of the acquisition of Ed Broking Group Limited and Besso Insurance Group Limited.

The increase in non-current liabilities of £766.5m during the year is mainly attributed to additional borrowings, being full draw down of the £300.0m Capex, Acquisition and Re-organisation facility, of which £250.0m was drawn in 2021 and full draw down of the USD 540.0m CAR upsize facility. The latter was agreed with the lenders of the Group's privately placed term loan facility, to fund the acquisition of Ed Broking Group Limited and Besso Insurance Group Limited and was drawn on 28 October 2021.

The net impact of the above movements in current assets and current liabilities results in an improvement in the net current assets of £209.2m in 2021. Additionally, this has fed through to a £225.2m strengthening of net assets over the year.

CHIEF FINANCIAL OFFICER'S REPORT

Liquidity and capital resources

Proactive and careful management of our liquidity continues to be a key priority for the Group, utilising both medium (12 months rolling) and short-term (13 weeks rolling) forecasts. This forecasting gives the Group visibility around any potential liquidity constraints, and management is confident that the Group will be able to meet expected cash outflows and debt covenant requirements while maintaining a liquidity buffer to manage any variability in terms of timing and amounts. The Group may also utilise its revolving credit facility ("RCF"), currently £191.5m and undrawn.

In 2021, £343.0m was received for the 350,000 preference shares issued and an additional Capex, Acquisition and Re-organisation facility (CAR upsize) of £164.3m (drawable in GBP, Euros or USD) and USD 540.0m was agreed with the lenders of the Group's privately placed term loan facility due 2026.

During the year, the Group generated a positive cash inflow from operations and borrowed £250.0m under the Capex, Acquisition and Re-organisation (CAR) facility and USD 540.0m under the CAR upsize. This was primarily offset by interest payments of £118.0m and the acquisition of businesses net of acquired cash of £312.4m.

The GBP (£) and Euro (€) privately placed term facility due 2026 and the USD PIK toggle notes due 2027 are reflected in these consolidated financial statements on an amortised cost basis (note 29). The USD notes have been converted to GBP at the 31 December 2021 foreign exchange rate of 1.3531 and the Euro Notes at a rate of 1.1897.

The Group periodically explores opportunities to repay, prepay, repurchase, refinance or extend its existing indebtedness prior to the scheduled maturity of such indebtedness, and/or amend its terms with the requisite consent of lenders as part of the Group's continuing efforts to manage its capital structure. The Group may also incur additional indebtedness to the extent permitted by the covenants of existing indebtedness or with the requisite consent of lenders, including in connection with the Group's evaluation of strategic expansion and acquisition opportunities where the Group regularly reviews acquisition targets and its financing arrangements and may from time to time announce new acquisitions or amendments to the financing arrangements in line with its business strategy.

Gross secured debt

	31 December 2021 £ million	31 December 2020 £ million
GBP 1,412.8m Term facility due 2026	**1,445.1**	1,412.8
EUR 180.0m Term facility due 2026	**154.8**	160.9
USD 500.0m PIK toggle notes due 2027	**418.3**	365.9
GBP 300.0m CAR facility due 2026	**302.1**	50.0
USD 540.0m CAR facility due 2026	**399.1**	-
Adjustment to debt carrying value	**(148.0)**	(105.4)
Total gross secured debt	**2,571.4**	1,884.2

CHIEF FINANCIAL OFFICER'S REPORT

Liquidity and capital resources *(continued)*

Cash balances and available liquidity

	31 December 2021 £ million	31 December 2020 £ million
Own funds	**411.3**	140.8
Own funds – restricted	**51.7**	23.9
Own funds – ETV	**-**	13.8
Fiduciary	**872.3**	407.1
Total cash	**1,335.3**	585.6
Less fiduciary and restricted (excluding ETV)	**(924.0)**	(431.1)
Available cash	**411.3**	154.5
Available RCF	**191.5**	191.5
Available CAR	**164.3**	250.0
Available liquidity	**767.1**	596.0

As at 31 December 2021, the RCF of £191.5m was undrawn and is fully available as at the date of this report.

On 28 October 2021 the USD 540.0m facility on the CAR upsize was fully drawn to fund acquisitions leaving the £164.3m (drawable in GBP, Euros or USD) fully available at 31 December 2021, as well as at the date of this report.

RISK MANAGEMENT

Risk Management Framework and risk appetite

In pursuing its business objectives Ardonagh is exposed to a range of risks. As part of its overall governance and control arrangements the Group operates a Risk Management Framework designed to identify, assess, manage, monitor and report on these risks.

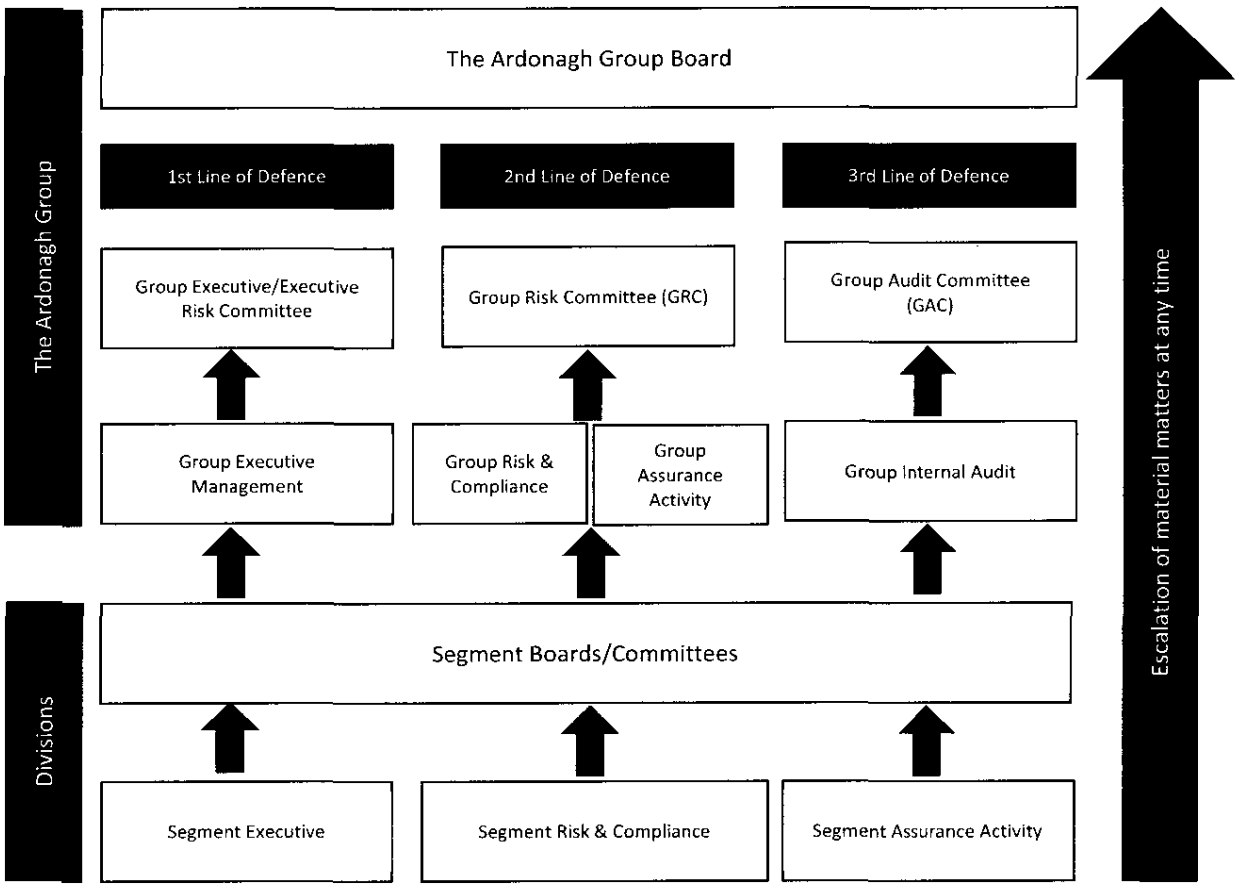
The Group's risk appetite is an expression of the amount and type of risk that it is willing to accept to achieve its strategic objectives. Risk appetite is set by the Board and is reviewed by the Group Risk Committee and the Board on at least an annual basis. Through the Risk Management Framework these governance bodies gain assurance that risks are being appropriately identified and managed within the parameters that have been set. Each area of risk has a Group owner responsible for managing the risk within appetite and ensuring that the controls designed to keep risks within appetite are appropriate as explained below under the Ardonagh Group Governance Framework.

Three lines of defence model

Risk management across The Ardonagh Group is underpinned by the application of a three lines of defence governance model. The first line sits in the business and is responsible for identifying and managing all material risks. The second line is made up of Segment and Group Risk and Compliance resource and provides challenge, guidance and support to the business on the first line risk assessment. The third line is delivered by Group Internal Audit, which independently assesses the effectiveness of the internal controls, governance and risk management.

Governance

The Group Risk Committee is chaired by an independent Non-Executive Director and reports relevant matters to the Group Board. Action plans to reduce risks that are approaching or out of appetite are monitored for effectiveness and timely completion. Escalation routes exist such that any material matters can be brought to the attention of Directors of the Group without delay.



PRINCIPAL RISKS AND UNCERTAINTIES

The Group faces a broad range of risks and uncertainties that are described in more detail in this section. These are the risks that are the focus of the Group Risk Committee.

Additional risks and uncertainties not currently known to us, or that we currently consider immaterial, may also materially and adversely affect our business or operations.

Risk	*Description*
Decline in economic conditions	The Group is expanding internationally but operates predominantly in the UK and is mainly affected by economic conditions in the UK and the associated possibility of a decline in business and customer confidence. The Board has developed a strategy that is heavily focused on the achievement of long-term sustainable growth, including a diversified business portfolio, and the Board believes that this is the most effective way of mitigating the risk of a general decline in economic conditions. The 1 November 2021 acquisition of the insurance operations of BGC Partners Inc (formerly known as Corant Global) into the Ardonagh Specialty operating platform is reflective of the diversification of Ardonagh and expansion of our specialty insurance and wholesale broking businesses. Similarly, the Group's international expansion has further diversified the Group and thus further reduced its exposure to predominantly UK economic conditions. This international expansion is represented by the Ardonagh International operating platform that consists of Arachas and Ardonagh Global Partners and primarily non-UK broking enterprises and related investments. The Arachas business is the largest SME-focused commercial insurance broker in Ireland and Ardonagh Global Partners includes Resilium, Australia's largest independently owned intermediary network and AccuRisk Solutions, a Chicago-based managing general underwriter. The Group has demonstrated its resilience from an economic shock and demonstrated operational and financial resilience in response to the Covid-19 pandemic. Management does not expect increased global political tensions (including related to the Ukrainian conflict, which we are monitoring and will respond to appropriately) nor any potential lingering impacts of Covid-19 following lockdown restrictions being removed in the UK to have a significant effect on the Group. The Group has sufficient liquidity to withstand a period of potential poor trading resulting from a sustained economic decline, although this has not materialised to date and the Group would respond to income declines by seeking cost savings. The Group had available liquidity of £767.1m at 31 December 2021 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.
Insurance market volatility	Volatility or declines in premiums, as well as declines in commission rates, may seriously undermine our business and results of operations. We derive most of our revenue from commissions and fees for underwriting and broking services. Our commissions are generally based on insurance premiums, which are cyclical in nature and may vary widely based on market conditions. A significant reduction in commissions, along with general volatility or declines in premiums, could have a significant adverse effect on our business. On a longer time-horizon, the insurance markets might be disrupted by new technologies, "open finance" or new distribution structures, which may give rise to both risks and opportunities for the Group.
Breach of regulatory requirements	If we fail to comply with regulatory requirements, we may not be able to conduct our business or may be subject to substantial fines or other sanctions that may have an adverse effect on our results of operations and financial condition. The Group operates a robust risk and control framework (underpinned by the three line of defence governance model set out on page 16) and closely monitors changes to the regulatory environment.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk	*Description*
Changes to regulatory environment	Our business is primarily regulated by the Financial Conduct Authority (FCA). The FCA rules have a conduct and customer focus but also impose minimum capital and liquidity requirements on the Group. In 2022, further changes to the UK regulation of general insurance are due or likely to be enacted, notably in relation to: pricing and value; consumer rights; operational resilience; and oversight of Appointed Representatives. Only regulatory interventions on pricing are anticipated to have a notable financial implication for the general insurance market, with this limited to certain lines of consumer business. As all consumer market participants will be impacted, including the Group's competitors, this is anticipated to give rise to both risks and opportunities for the Group. Moreover, outside of our Retail (consumer) segment, the implications are not significant.
Litigation	We are subject to various actual and potential claims, lawsuits and other proceedings relating principally to alleged errors, omissions or unfair provisions in connection with the placement of insurance or the provision of financial services advice in the ordinary course of business. We maintain professional indemnity insurance for errors and omissions claims. The terms of this insurance vary by policy year and our ability to obtain professional indemnity insurance in the future may be adversely impacted by general developments in the market for such insurance, or by our own claims experience. If our insurance coverage proves inadequate or unavailable, there is an increase in liabilities for which we self-insure.
Technology – keeping pace with change	If we are unable to apply technology effectively in driving value for our clients or in gaining internal efficiencies and effective internal controls, our client relationships, growth strategy, compliance programmes and operating results could be adversely affected. Interruption or loss of our 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. All parts of the Group maintain effective business continuity plans and capabilities.
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. Each part of the Group maintains appropriate performance management, remuneration, succession planning and other HR policies that are proportionate for their respective businesses. Our businesses have 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 each of the Group's operating segments, which include policies to manage employee absences, to ensure access to the wider network of offices, to maintain the efficiency and stability of the Group's infrastructure, and to facilitate home working for a significant portion of our employee base. Leadership teams and working groups led by senior managers are in place to support operational resilience and the taking of common-sense precautions with a view to ensuring the wellbeing of colleagues. We continue to review this approach in line with the latest developments and government guidance.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk	*Description*
Relationships with key suppliers, including outsource partners and insurers / other insurance intermediaries	The Group constantly reviews its activities and engages with specialists to improve delivery to its clients and increase efficiencies. This can result in outsourcing certain functions and such transitions are managed by robust governance with senior management oversight. During the final quarter of 2020, Ardonagh Specialty entered a 10-year arrangement with a business process outsourcing services specialist to deliver a technology led transformation of its insurance broking services. If third-party brokers and mortgage intermediaries do not provide customers with competitive levels of service, or if a significant number of them choose not to distribute our products, the level of written premiums we place with customers may decline. A withdrawal by insurance companies of underwriting capacity or products in circumstances where no replacement underwriting capacity or products can be procured, or an excessive increase in the rates charged by an insurance company, would impact our business performance. Capacity, business performance and distribution are kept under proactive management by each of the Group's businesses, as appropriate for their respective operations and needs.
Integration of acquired businesses	Our selective acquisition strategy exposes us to the risk that we may not be able to successfully integrate acquired businesses or that acquisitions may have liabilities that we are not aware of and may not be as profitable as we may have expected them to be. Due diligence in advance of an acquisition is thorough, managed by experienced teams and supported by independent third-party review where appropriate. Integration is subject to robust project planning, governance and continuous oversight until the integration plan has been achieved. This includes, as a minimum, the adoption of the Ardonagh Risk Management and Compliance framework for all acquisitions.
Debt and liquidity risk	The Group requires significant amounts of cash to service its debt, thereby limiting the availability of funds for working capital, acquisitions, business opportunities and other general corporate purposes. There is a risk that the underlying business does not generate sufficient cash to meet its financial obligations as they fall due. Proceeds from debt are used to provide financing to fund the acceleration of strategic investments. This will support future generation of cash for reinvestment. The Group has an active cash management process, refinanced the Group in July 2020, and agreed an additional Capex, Acquisition and Re-organisation facility of £164.3m and USD 540.0m in August 2021, with the Group's borrowings not maturing before 2026 at the earliest. The Group Treasury function undertakes cash flow forecasting and closely monitors and manages the Group's cash balances. Immediate liquidity is available from the revolving credit facility (£191.5m available at 31 December 2021) should any short-term financing be required.
Counterparty risk	We have a significant amount of trade accounts receivable from some of the insurance companies with which we place insurance. If those insurance companies experience liquidity problems or other financial difficulties, we could encounter delays or defaults in payments owed to us. Counterparty balances are monitored as part of the credit control process. Significant balances are actively managed through our on-going strategic insurer relationship programme.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk	*Description*
Defined benefit (DB) pensions	Following the acquisition of the Ed Broking businesses on 1 November 2021, the Group has two unfunded DB pension schemes in Germany and one funded pension scheme in the UK. The UK DB Scheme's last triennial actuarial valuation was carried out as at 31 December 2018 and a recovery plan of £1.9m annually was agreed which runs to 31 July 2025, for which the recovery plan amounts are recoverable from the seller of Ed Broking. The German DB schemes have an unfunded liability (in line with German regulation) although the approximate annual payments are only €0.5m. As noted under the debt and liquidity risk above, the Group Treasury function undertakes cash flow forecasting and closely monitors and manages the Group's cash balances including in respect of DB pension funding.
Foreign currency risk and interest rate risk	The Group is exposed to foreign currency risk and interest rate risk from its borrowings, and to foreign currency risk from its revenue, which it mitigates as follows: • Borrowings: The Group's borrowings include (a) a privately placed term facility due 2026 of £1,575.0m comprising £1,412.8m denominated in GBP and €180.0m denominated in Euros, (b) a fully drawn £300.0m CAR facility due 2026, (c) a £164.3m undrawn CAR facility due 2026, (d) a USD 540.0m fully drawn CAR facility due 2026, (e) an undrawn £191.5m RCF, and (f) USD 500.0m PIK toggle notes due 2027 (for which PIK options are being utilised). The majority of the Group's borrowings are therefore in GBP, thus limiting the Group's foreign currency exposure. Forward contracts (to which hedge accounting is applied) are in place to address the Group's USD exposure to the PIK toggle debt, whilst the Euro borrowings and USD CAR facility are subject to a natural hedge against Euro and USD investments. The PIK toggle debt is at fixed rates, so does not give rise to interest rate exposure, whereas the USD CAR facility drawn to finance the acquisition on 1 November 2021 of Ed Broking Group Limited and Besso Insurance Group Limited is at floating rates and is paid from the Ed Broking USD revenues. Interest rate swaps have been taken out to address the interest rate exposure arising from the floating rates of interest (SONIA and EURIBOR) applicable to the GBP and Euro privately placed term facility. • Revenue: Most of the Group's revenue is in GBP and thus not subject to foreign currency exposure. The Specialty & International division has forward contracts to hedge its USD revenues 80% to 12 months, 65% forward between 13 and 24 months, and 50% forward between 25 and 36. Hedges mature monthly and new hedges are added on a rolling quarterly basis. The hedges currently exclude the USD revenues acquired with the insurance operations of Ed Broking Group Limited on 1 November 2021. The Group has a natural offset for this item against the interest costs on its external USD CAR facility. However, any residual USD cashflows from Ed Broking will likely be hedged in accordance with existing policy. Ardonagh International has offsetting foreign currency denominated costs that broadly match its foreign currency denominated revenue.

The strategic report on pages 1 to 20 was approved by the Board and signed on its behalf by:

D Cougill
Director
21 April 2022

CORPORATE GOVERNANCE REPORT

In section 1 of this report, management refer to Segments and they may differ to the operating segments reported in section 2 of this report including note 5. The Platforms explained in Our Businesses above (Ardonagh Advisory, Ardonagh Retail, Ardonagh Specialty and Ardonagh International) are the operating segments included in note 5.

The Ardonagh Group Governance Framework and how our Boards apply the Wates Governance Principles ("the Wates Principles")

Governance Framework
The Ardonagh Governance Framework and organisation structure are designed to support effective decision making and rigorous oversight of business performance and risks to realise our purpose and strategic imperatives. The Ardonagh Governance Framework is documented in the Ardonagh Governance Manual maintained by the Group Company Secretary. The Governance Framework operates as follows:

The Group Board
The Group Board is accountable for the success of the Group for the benefit of its shareholders as a whole and for providing leadership within a framework of effective risk management and control. It sets strategic priorities and ensures that the Group is suitably resourced to achieve them and monitors the delivery of the business plan. In doing so, it has regard to its responsibilities to the Group's stakeholders including our colleagues, investors, customers, suppliers, regulators and the communities in which the Group operates. Other than such matters where responsibility is specifically defined and retained at Group-level, the Segment Boards discharge direct oversight and challenge over the Group's regulated businesses.

The Group Board delegates authority to the CEO who, through his Executive Committee, ensures that the collective vision, policies, culture and behaviour set by the Board are effectively communicated and embedded across the Ardonagh Group. This delegation from Boards to individuals is set out in the Ardonagh Accountability Framework for the Group and each Segment. The Group Board places reliance on the Segment Boards to discharge detailed oversight and challenge over business performance and the management of risk, which enables the Group Board to focus on the efficient use and deployment of capital in addition to setting strategy and exercising oversight and challenge over Group performance and the management of Group risks.

The Group Board is responsible for ensuring that management maintain a system of internal control, which provides assurance over the effectiveness of operations, internal financial controls and compliance with laws and regulations. In carrying out this responsibility it has regard to its duties to all stakeholders and maintaining the Group's reputation. The Group and Segment Boards and their Committees receive information that helps them oversee the culture and conduct within each business. This includes reports from our second and third lines of defence functions, conduct risk reporting, compliance with Group Policies and Business Standards, specific reviews over individual risks and HR reports. Timely management reporting and accountability support the Group and Segment Boards in demonstrating the effective discharge of responsibilities under the Senior Managers and Certification Regime (SM&CR).

The Board met fourteen times during 2021 and participated in several update calls. A number of sub-committee meetings were also held to discuss specific matters authorised by the Board. In addition, certain administrative matters were approved by written resolution. If a Director is unable to participate in a meeting either in person or remotely, the Chairman will solicit their views on key items of business prior to the meeting, in order that these can be presented at the meeting and be taken into account.

The Composition of the Board during the year is set out on page 37.

Board Committees
The Group Board has delegated specific responsibilities to five standing Board Committees in order to consider and provide oversight over certain matters as set out below. Whilst the Board has made use of its Committees, it retains ultimate responsibility for the matters within their scope, which are set out in their terms of reference. Each Committee has an agenda plan which is reviewed and approved on an annual basis.

Audit Committee
The members of the Audit Committee during the year ended 31 December 2021 were Clive Bouch (Chair), Patrick Butler and Scot French. The Group Board is satisfied that the Committee has adequate recent and relevant financial and business experience to fulfil the roles as required. The purpose of the Committee is set out in the report from the Chair of the Audit Committee set out on pages 34 to 36. The Audit Committee met four times in 2021. The Committee periodically meets with the Group Head of Internal Audit and the External Auditor without management present.

CORPORATE GOVERNANCE REPORT

Group Risk Committee
The members of the Group Risk Committee during the year ended 31 December 2021 were Patrick Butler (Chair), John Tiner, Clive Bouch and Scot French. The Group Board is satisfied that the Committee has relevant risk and compliance experience to fulfil its responsibilities.

The Group Risk Committee met four times in 2021. Periodically the Committee holds an individual meeting with the Chief Risk Officer, who has the right of access at any time to the Chair of the Committee.

Remuneration Committee
The Remuneration Committee members during the year ended 31 December 2021 were John Tiner (Chair), Scot French, Vahe Dombalagian and Clive Bouch. The Chief Executive Officer, Chief Financial Officer and the Head of Reward attend Committee meetings, however they do not attend where their individual remuneration is discussed, and no Director is involved in deciding their own remuneration. The Remuneration Committee met seven times during 2021.

Nomination Committee
The Nomination Committee members during the year ended 31 December 2021 were John Tiner (Chair) and Scot French. The Nomination Committee met once during 2021.

Investment Committee
The Investment Committee members at the year ended 31 December 2021 were John Tiner (Chair), Scot French, Patrick Butler, Vahe Dombalagian, David Ross (CEO) and Diane Cougill (CFO). The Investment Committee met once in 2021.

Segment Boards
Each of our Segments; Advisory, Atlanta Retail, MGA & Binders, Ardonagh Specialty, Arachas and Ardonagh Global Partners have a Board, or equivalent ("Segment Board") to discharge oversight and challenge to ensure management deliver the annual business plan, integrate new businesses well, ensure M&A investments deliver against their investment case and that risk is appropriately identified, monitored and managed within Group and Segment risk appetite. The composition of each Segment Board includes at least one independent director, a Group representative director and the Segment CEO and CFO as members. Other than Ardonagh Global Partners, each Segment Board has established a Risk & Audit Committee and a Remuneration Committee. As Ardonagh Global Partners grows, its governance will mature and ultimately fully adopt the Ardonagh Governance Framework, with relevant adjustments to reflect the international nature and existing governance in place for its underlying businesses. The Segment Boards and their Committees have all adopted common terms of references and operate within clearly defined delegated authorities set out in the Group Delegated Authority Framework and also within a clear escalation policy that ensures material matters are escalated to the Group on a timely basis. All Boards are supported by the Group Company Secretarial function to ensure the Group Governance Framework is consistently applied.

The Segment Boards and Risk & Audit Committees meet quarterly and as and when required. The Segment Remuneration Committees meet as and when required to consider matters within their remit and make recommendations as appropriate to the Group Remuneration Committee.

Two-way dialogue between the Group and Segment Boards and Committees is key to the effectiveness of the Ardonagh Governance Framework. This communication is facilitated by the Group Chairman and the Group Company Secretarial function. Ardonagh-wide iNED calls and events are hosted periodically by the Group Chairman and Group iNEDs attend Segment Board meetings on a rolling basis. The Segment iNEDs have scheduled and ad-hoc calls with members of senior management to ensure they have deep and ongoing knowledge of the business and the markets in which they operate.

Our Segment Boards and Committees regularly receive reports that together enable them to consider the culture within each business, including reviews by Compliance Assurance and Internal Audit, conduct risk reporting, compliance with Group Policies and Business Standards, key controls assessments, HR reports and Balanced Scorecard outcomes covering financial and non-financial metrics. The activities of the Ardonagh Community Trust (pages 31 and 32) is an indirect example of how our values and culture are aligned.

To further support our culture and values, the Group has in place whistleblowing arrangements including a confidential phone line, email and interactive website managed and run by an independent third party. These arrangements support an open and honest culture where our employees feel valued and trusted to do the right thing. We have a positive commitment and open approach to speaking up, providing a safe working environment and treating customers fairly. In addition, the Group and our businesses have taken action to improve staff well-being and these are set out under Principle 6 below.

CORPORATE GOVERNANCE REPORT

Planned changes to the Ardonagh Governance Framework

The Group Board plans to make further changes to the governance framework to accommodate the expansion and growing maturity of our businesses and enable the Group Board to simplify its governance accordingly to ensure its activity does not duplicate the governance being discharged effectively by downstream Boards and Committees. These changes will be implemented during 2022 and will be reported on in detail in the 2022 Report and Accounts. Key areas of change are summarised below:

- Business segments will be structured within platforms.
- The primary purpose of the Platform Board will be to discharge oversight and challenge over the delivery of Platform strategy. This includes oversight over prudential and financial risk and debt related metrics. The Platform Board shall also approve all M&A for the Platform and within limits set by the Group Board. Platform Boards shall have their own Audit and Remuneration Committees.
- Segment Boards shall discharge oversight and challenge over Segment financial performance against plan and performance against risk appetite and risk frameworks. The Segment Board will also discharge oversight over the delivery of M&A integration and synergies against investment case, as well as good conduct. Segment Boards shall have their own Risk Committee.
- 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.
- The Group Board committee structure shall be simplified, with the following committees continuing; Audit Committee and the Group Remuneration & Nominations Committee.
- With the growing maturity of the control, risk and governance frameworks and the reduction in the number of Group owned risks, the current role and responsibilities of the Group Risk Committee shall be handed over to the Group Audit Committee and Segment Risk Committees.

The Wates Principles

The Board considers that the Group has applied all the Wates Principles. Set out below is an explanation of how they have been applied.

Principle 1 - *An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.*

The purpose of the Ardonagh Group is to maintain and grow its position as a leading multi-channel, diversified platform that delivers world class products and services to meet customer needs. This purpose is supported by the Group's strategy, values and culture. The Group and Segment Boards consider and approve a refreshed business plan each year that reflects the growth ambitions of the Group. The Ardonagh Group's values are set out in the Ardonagh code of conduct which sets out our expectations in respect to the treatment of our customers and colleagues, and our standards of professional integrity and personal performance.

The code of conduct is supported by key initiatives, including annual all-employee mandatory training and ensuring discretionary annual bonus pools and individual awards are subject to consideration of non-financial performance, such as conduct & behaviour and employee engagement. Conduct & behaviour related adjustments to annual bonus pools are subject to review and calibration by the Group Chief Risk Officer and are reviewed and challenged by the Group Risk Committee and each Segment's Remuneration Committee and ultimately approved by the Group Remuneration Committee. In addition, for those employees that have specific regulatory obligations under the FCA's Senior Managers & Certification Regime (SM&CR) there is additional training and controls in place to ensure that this population of employees are 'fit and proper' to discharge their responsibilities. Our people and culture are essential factors in our success as further explained below in our proactive application of Principle 6.

CORPORATE GOVERNANCE REPORT

Principle 2 - *Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.*

In line with best practice, the role of Chair and CEO on the Group Board are separate and the Chairman was considered to be independent on appointment. The Group and Segment Boards periodically undertake a Board effectiveness review with the most recent review conducted in Q4 2019. The next Board effectiveness review will be conducted in 2023 to assess the effectiveness of the changes to the governance framework outlined above.

Independent directors meet with management on a regular basis between scheduled meetings to discuss corporate issues and progress against agreed actions. Directors are also subject to mandatory online training on legal and compliance topics. All Board Directors are expected to be able to commit the time required to adequately fulfil their responsibilities.

All newly appointed Directors to the Group and Segment Boards are provided with a comprehensive and bespoke induction programme aimed at familiarisation with the Ardonagh Group and focus on the challenges, opportunities and risks being faced by the business.

The Wates Principles highlight the need for Boards to promote diversity and demonstrate that there has been a considered effort to establish an appropriate balance of expertise, diversity and objectivity. Diversity should be a factor in the recruitment of independent non-executive directors to Segment Boards. The Group has in place an Equality and Diversity Policy and the Board believe that equality and diversity strengthen the Group, contribute to long-term business performance and support the Group as a destination of choice for key talent. This is an industry-wide challenge and our Boards consider diversity and inclusion as part of the Board recruitment and management succession process. Our Boards have taken time to consider management actions and initiatives regarding diversity and inclusion and these are set out in more detail under Principles 5 and 6 below.

Principle 3 - *The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.*

The Group Board has delegated the day-to-day management of the Group to the CEO. The CEO has delegated authority to approve specific issues subject to financial limits. In turn, the CEO has delegated authority to his direct reports and these are set out in the Ardonagh Accountability Framework which evidences individual accountability under the FCA's Senior Managers and Certification Regime. The Ardonagh Accountability Framework is supported by the Group Policies and Business Standards that set out the key controls to mitigate risk and appropriate training, role profiles and an annual attestation process.

The core activities of the Board and its Committees are planned and approved on an annual basis. Meeting agendas are set in advance and take into account the planned activities and issues that fall within the scope and responsibilities of the Board, taking into account the matters reserved for the Board and the terms of reference of its Committees. The Chairman ensures appropriate time is spent by the Board to consider and discuss strategic issues, deep dives to focus on specific areas of our business, performance and oversight and risk and regulatory matters. The Board and its Committees are supplied with regular, comprehensive and timely information in a form and quality that enables them to discharge their duties effectively. All Directors are able to make further enquiries of the Executive Directors or the wider Ardonagh Group senior management team whenever necessary, and to have access to the services of the Group Company Secretary. There is a procedure in place for Directors to take independent professional advice in the course of their duties, if they judge this to be necessary, at the Ardonagh Group's expense.

A delegated authority framework ("DAF") is in place which sets out the matters reserved to the Group Board and the delegated authorities from the Board to management and Segment Boards. The matters reserved for Group Board approval include changes to capital structure, M&A, Group policies, risk appetite and material contracts and financial matters over certain limits. The DAF will be updated in 2022 to reflect the changes to the Ardonagh governance framework outlined above.

The Wates Principles highlight the importance of directors maintaining objectivity in complex situations. Under the Companies Act 2006, all Directors have a duty to avoid conflicts of interest and disclose any interests and outside appointments. The Board has put in place procedures to resolve situations where a Director has a conflict of interest and Directors have continuing obligations to update the Board on any changes to their disclosed conflicts. A record of actual and potential conflicts of interest is maintained by the Group Company Secretary and is subject to an annual review and attestation by each Director.

CORPORATE GOVERNANCE REPORT

Principle 4 - *A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.*

During 2021, the Group Board considered the Group's plans to create sustainable organic growth over the long-term. This includes priorities for organic growth and growth through M&A. In 2021, the Group Board approved a M&A and integration framework that codifies areas of best practice across the Group and sets minimum requirements regarding the assessment, approval and integration of new investments. The M&A Framework aims to ensure the Group maximises equity value in a controlled manner whilst balancing the need for our businesses to maintain their entrepreneurial and opportunistic approach. The Group and Segment Boards all receive reporting on the M&A pipeline as a standing item. A case study on the M&A framework is set out under Principle 6 below.

The Board has developed an Enterprise-wide Risk Management approach that applies to all parts of the Ardonagh Group. The key pillars of this approach are the Risk Framework, Conduct Risk Framework, Risk Appetite, Group Policies and Business Standards (which set out key controls) and the Ardonagh Accountability Framework. These frameworks form the Ardonagh Accountability, Risk & Compliance Framework (ARC). The ARC aims to ensure that the interests of customers and their treatment in our decision making and compliance with laws, regulation and our key controls environment are paramount and consistently applied whilst being flexible to enable our businesses to tailor them to their specific circumstances and markets.

The Group and Segment Boards set and annually review risk appetite and exercise oversight and challenge over performance against risk appetite. There is a clear escalation policy which articulates the type and severity of risk events that require escalation to Segment and Group management and Boards.

Our Boards are focussed on operational resilience and receive regular reports on cyber, IT and operations and business recovery plans. Our leadership teams actively seek improvements to operational performance and resilience, including where this involves outsourcing. During 2021 c.300 call centre roles were outsourced to overseas providers, helping mitigate recruitment pressures in the challenging UK market. We also commenced a significant programme of transformation that involves outsourcing operational processes to our joint venture with Mphasis.

Our risk management frameworks are designed to increase understanding of risks, both inherent in the business and environmental, in order to improve decision-making. We accept certain risks where they are understood and within risk appetite or where there is a plan to bring within risk appetite over a short period of time. The Group Board retains ultimate responsibility for the Group's systems of internal control and risk management and their effectiveness, within which the Segment Board play an important role. These frameworks are designed to identify and manage, rather than eliminate risk and therefore provide reasonable and not absolute assurance against material misstatements or losses.

The ARC, the three lines of defence model and how the Board exercises oversight over the identification and mitigation of risks is set out in more detail on pages 16 to 20.

Principle 5 - *A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.*

The Board seeks to ensure that remuneration is competitive, transparent and linked to individual, team segment and Group performance. The Group Remuneration Policy ensures that our remuneration structures support our strategy by:

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

Employee salaries are reviewed annually. The Remuneration Committee reviews and sets director fee levels for the Group and Segment Boards (relevant directors recuse themselves as appropriate and are not involved in the setting of their own salary and fees). Salary reviews take into account individual performance, Group performance and the underlying business environment. Remuneration is periodically and consistently benchmarked against relevant roles or across job families.

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

- Group-wide executive coaching and peer support programme for women leaders to encourage career progress, focus and accountability.
- Women in Leadership programme is attended by women from across the Advisory segment of The Ardonagh Group. Management are continuing to develop and grow our programmes to support the development of women leaders.
- Flexible and remote working have always been encouraged by management and became a necessity during Covid. A Group home working policy was introduced in 2020.
- The Group People Commitments have been revised and published.
- Diversity and Inclusion eLearning module has been developed and launched on a Group-wide basis.
- Diversity and Inclusion forums have been set up across the Group.
- Review of policies such as recruitment and succession planning to ensure we are being as inclusive as possible.
- Engagement Survey undertaken to ensure comments are captured and actioned.

Principle 6 - *Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.*

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.

As explained under Principle 4 above, the Board considers the long-term consequences of its decisions. Having our two major shareholders represented on the Board provides strong shareholder engagement. Ongoing engagement with our shareholders and bondholders are primarily exercised through the use of investor presentations and quarterly bondholder calls. In 2021, management took steps to enhance our ESG activities and plans and these are outlined on pages 29 to 33. The Board has identified the following as our key stakeholders and how the Board engages with each stakeholder group is set out below.

Employees

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

Our Boards believe 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. Our Businesses all undertake regular communication and other engagement activities, including Group initiatives, such as Radio Ardonagh. Other Group initiatives include 'applause' where employees can give a 'shout out' to their colleagues who have gone above and beyond.

There are also weekly all-staff communications, messages from the CEO and our annual Spotlight Awards. Our Segments undertake local initiatives in addition to Group-wide initiatives.

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Our third Group-wide employee pulse survey was undertaken in Q4 2021, which achieved an excellent 81% response rate from over 6,000 employees. The Group achieved an overall positivity score of 73.08% (2020: 74.74%). Our Group and Segment Boards have considered the pulse survey scores and the actions to be taken as a result of the survey, which include a refresh of actions to be taken across each of our 5 people commitments; Attract and Retain, Onboard and Develop, Recognise and Reward, Empower and Enable and Respect and Support. Each of these 5 people commitments outline our ambition for a diverse and fair workforce and an inclusive culture. The Group and each of our Segments have established diversity & inclusion 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. Management understand that diversity and inclusion is an ongoing process and our journey will continue to be an area of focus, with key executives having individual personal objectives that support diversity and inclusion. Actions taken to date include mandatory all-staff unconscious bias training, extensive communications to promote awareness, an engagement of a third party to assist in improving diversity in recruitment in our Specialty business and Group-wide education and allyship on an ongoing basis and not just centred around annual celebrations, including International Women's Day and Pride Month.

Customers

Seeking good customer outcomes is central to the success of the business. Management continues to improve how we track how our customers perceive our businesses . In addition, our products and services are periodically reviewed to ensure they continue to meet the needs of our customers. An example of this is set out on page 31, where our Atlanta Retail business has now become one of the first insurance partners of Plain Numbers that will ensure our insurance documents are clear to all our customers. Our Segment Boards discharge oversight over performance against conduct risk frameworks and key customer related metrics to ensure the customer remains at the heart of our decision making. Our businesses have fully embraced the FCA requirements on general insurance pricing and value that came into force at the end of 2021.

Regulatory relationships

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

Insurers

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

Our Suppliers

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

Community

Ardonagh contributes to the communities in which we operate through the Ardonagh Charitable Trust ('ACT'). Details of its activities are set out on pages 31 and 32.

Case Study in considering stakeholders in decision making
The Group Risk Committee approved the Group M&A and Integration Framework ("M&A Framework") in November 2021, which sets minimum requirements regarding the assessment, approval and integration of new investments. In considering the M&A Framework, the Board considered the impact of implementation across a number of key stakeholders, outlined below:

Colleagues
Our Boards understand that cost savings are an integral part of the investment thesis for each acquisition and are mindful of the impact of acquisitions on our colleagues. This includes ensuring all colleagues are treated with respect, that impacts on our SM&CR population are worked through and approved as part of the M&A approval process and that colleagues that leave the business following an acquisition are given appropriate support. The Board are also mindful of the opportunity for incoming talent from acquired businesses to move into larger roles either within the Segment or across the Group and be factored into our succession planning.

Customers
Our customers are at the heart of our decision making and our Boards consider how an incoming business can enhance how we meet the needs of existing and new customers when evaluating potential M&A opportunities. Continually improving how we meet the needs of our customers is central to the success of our business. Our due diligence process focusses on any potential conduct issue that could cause customer detriment and our integration process requires new businesses to adopt the ARC within a set timeframe, with priority given to adopting customer and conduct related policies and business standards. In addition, new businesses must adopt and comply with the Group remuneration policy which ensures the right conduct behaviours are incentivised and rewarded.

Insurers
Our Boards seek to ensure that management utilise our existing Group-wide insurer relationships or new insurer relationships coming into the Group from acquired businesses to improve capacity and/or terms to better meet the needs of our customers.

Regulatory
Our M&A Framework codifies areas of existing best practice across the Group and evidences our commitment to ensuring new businesses meet our minimum risk and compliance standards in a timely and controlled manner. Cultural fit is a key part of our investment criteria and incoming businesses must share similar values and positively contribute to nurturing and developing our culture.

Suppliers
Integration plans include how we bring new businesses into our existing supplier network in order to manage costs and strengthen operational resilience.

Community
Our Boards ensure that colleagues in newly acquired businesses that join the Group are able to participate in the ACT quarterly community grant programme as quickly as possible, enabling their local communities to receive impactful grants that can make a difference and encourage active participation by our colleagues with local charities and causes.

Shareholders
The M&A Framework positions the business to deliver our inorganic growth plans and create our targeted equity value by articulating minimum financial criteria by which M&A opportunities are assessed and ensuring Boards discharge governance and oversight over the delivery of business, synergy and integration plans to drive equity value and deliver the right outcomes for all our stakeholders.

CORPORATE GOVERNANCE REPORT

Environmental, social and governance strategy

Introduction

Ardonagh strives to be a responsible industry presence seeking to contribute positively to society, industry developments and the environment.

The Ardonagh Group is committed to being a responsible industry presence by embedding environmental, social and governance (ESG) considerations throughout the Group. This report serves as an update on our key ESG activities and material topics of 2021.

Progressing ESG within Ardonagh

ESG is a growing priority at Ardonagh which we regard as a driver of value, creating stronger, more resilient, and more profitable businesses. Ardonagh actively engages with its businesses to support them in becoming more sustainable.

We believe that ESG is everyone's responsibility, and our culture supports this in many ways. In 2021, Ardonagh assessed ESG risks and opportunities as part of its due diligence of all new group companies. Each year, our charity Ardonagh Community Trust dedicates 'Give Back Day' to colleague elected charitable initiatives that strengthen our connections with local communities and help our businesses to flourish and become more sustainable. Across our platforms, training was also delivered on ESG topics such as Diversity and Inclusion during 2021, including learning sessions run by business-level Affinity Action Groups and an employee-produced Black History Month broadcast on the Group's Radio Ardonagh platform.

In 2022, we have established an ESG working group, are in the process of drafting our ESG principles and first ESG Policy, launching our integrated ESG approach and preparing to become a signatory of the Principles for Responsible Investment (PRI).

Ardonagh is determined to keep up the momentum in 2022 and beyond. ESG is a journey to which the firm is committed, today and far into the future.

We have developed core ESG and Sustainability Principles

- Always comply with both the letter and the spirit of the law
- Ensure that Ardonagh's business takes a responsible approach to its activities, and recognises the potential impact of the business on the environment, workers, communities and society, as well as the potential impact of climate change on the businesses
- Ensure that our group companies always respect human rights and ensure no exploitation of child labour
- Ensure there is no bribery or corruption in any of our dealings
- Act with integrity at all times in all our dealings
- Always be non-discriminatory (including on grounds of gender, race or disability), and seek equality and diversity in our employment practices
- Act responsibly with respect to the environment, aiming for a sustainable approach to the use of resources, avoiding irresponsible disposal of hazardous products and unnecessary waste
- Ensure that our management structures and policies reflect the need for transparency, accountability, equality and probity in the management of our businesses
- Seek to comply with and inform industry standard ESG guidelines and best practices, and actively manage ESG considerations and risks effectively

We are in the process of becoming a signatory of UN PSI

In addition to these core Principles, Ardonagh has agreed to the four Principles of Sustainable Insurance as set out by the UN PSI framework which are to:

- Embed in our decision-making environmental, social and governance issues relevant to our insurance business
- Work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions
- Work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues
- Demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the principles

CORPORATE GOVERNANCE REPORT

Environmental, social and governance strategy

We are embedding our Sustainability Charter
At Ardonagh we believe that a responsible approach to our group companies, employees, partners, local communities, the environment and society in general is an essential part of our wider and longer-term success. We are committed to creating value for our stakeholders by embedding ESG considerations throughout all stages of the insurance process. During the past 12 months we have conducted an assessment and considered our key ESG risks.

We are measuring our progress of embedding ESG by adopting the five pillars of our Sustainability Charter. The charter underpins all our conversations, business decisions and the culture of our businesses. It sets out our core beliefs and promises, covering five themes summarised below:

- Ethical business - To conduct our business in an honest and ethical manner
- Innovation - To be proactive and responsive to our evolving client needs
- People - To ensure the welfare of our employees and those we work with
- Society - To enhance the wellbeing of the communities we serve
- Environment - To protect the environment and become net zero

Ethical business
Under the pillar of ethical business practices, we will continue to develop our Group wide approach for ESG leadership and governance. It is our aim to ultimately cover strategies for ESG risk mitigation, business ethics, management of the regulatory environment, critical incident risk management, as well as systemic risk management.

Our primary policy for promoting ethical business conduct remains the Ardonagh Group Code of Conduct and a dedicated Anti-Money Laundering and Anti-Bribery and Corruption Programme is active across the Group. The programme includes due diligence on suppliers and vendors, annual training for all personnel, requisite compliance declarations from all associated persons and comprehensive 'whistleblowing' arrangements. In 2021, employees across the Group also participated in over 5,000 hours of cyber security training.

We continue to adhere to exemplary standards of business conduct and in 2022 we are preparing to become a signatory in support of the four principles of the UN PSI.

In doing so we will have aligned our operations with the UN PSI common framework with principles integrating ESG criteria into the wider business and into our stakeholder relationships.

Innovation
Under the pillar of our business model, we will continue to develop our understanding of our model's resilience and the innovation needed to maintain leadership position within the industry. It is our aim to collaborate with partners on product development and lifecycle management aspects as well as supporting initiatives to better manage the risks surrounding the physical impacts of climate change.

In April 2021 and representing the culmination of years of investment in proprietary data analytics, Ardonagh Portfolio Solutions in collaboration with the Ardonagh Specialty platform launched the first dedicated cross-class follow capacity with USD 350m in-scope client portfolio. The intention is to expand this fully-digitally integrated offer to a broader client base and add additional capacity providers following pre-approved Lloyd's leaders across placements in Cargo, Specie, Terrorism, Financial Products, Healthcare and Marine. At a time of great upheaval in marine markets the pre-determined line size is fixed across the portfolio and offers clients capacity certainty in challenging market conditions. The ability to aggregate portfolio data is much sought after for brokers and this represents a firm endorsement of the data-powered strategy built by the team.

In July 2021 Ardonagh launched a Global Data and Risk Management Centre in Ireland. The management centre will deliver data-driven insights to Ardonagh's clients worldwide, helping colleagues offer tailored solutions from our 150+ offices globally by providing a highly diversified range of financial services-related products and services across the full value chain. This world-leading centre will drive innovation in the global financial services market and help further develop one of the key risk research and development regions in Europe.

CORPORATE GOVERNANCE REPORT

Environmental, social and governance strategy

People

Under the pillar of human capital we will continue to develop our capabilities in terms of our employee related practices, their health and safety, engagement, as well as our initiatives relating to workforce equity, diversity and inclusion. Fair treatment of our employees and the people we work with is crucial to the future successful development of our business. We invest heavily in training and development and following the pandemic have focused our people efforts on their mental and physical wellbeing. Ardonagh Group believes in treating all people with respect and dignity. We strive to create and foster a supportive and understanding environment in which all individuals realise their maximum potential within the company, regardless of their differences. We are committed to employing the best people to do the best job possible, offering equal opportunities and fairness in the recruitment process. We recognise the importance of reflecting the diversity of our customers and markets in our workforce. The diverse capabilities that reside within our talented workforce fulfil the needs of our industry to provide a high-quality service.

Ardonagh works with hundreds of companies across its supply chain. We expect these suppliers to meet high standards in areas such as ethical conduct, human rights, workplace standards and the environment. We have established due diligence processes to help select suppliers who meet these high standards. This reduces the risks to us, our business and to our clients. We focus our supplier engagement on suppliers in high-risk countries or sectors, those with whom we have a direct commercial relationship and are committed to promoting and respecting human rights.

In 2021, all employees were enrolled in the Group's Diversity, Equality and Inclusion module as part of their annual training plan. Towergate, part of Ardonagh Advisory, was also proud to receive the Princess Royal Training Award for its Women in Leadership programme. The programme has so far been attended by 45 delegates, over 80% of whom have already achieved the competency level expected for a Senior leader. This programme has also been a catalyst for changing the mindset of Towergate leaders where now more than 12% of the leadership is female (compared to 7% prior to the programme). Substantial recruitment costs have been saved as a result of the programme and the improvement in behaviours and competencies demonstrated by the leadership delegates has had a positive effect providing stretch opportunities for their female colleagues.

Society

Under the pillar of social capital we aim eventually to cover aspects of our business in relation to human rights and community relations, customer privacy, data security, access and affordability, and selling practices and product labelling. Currently our ESG social capital related matters cover our impact on society, charitable donations and grants, employee volunteering activities and data privacy.

Treating customers fairly and looking after vulnerable customers have been industry-wide priorities, as the impact of lockdowns meant millions more customers were tipped into 'low financial resilience'. Poor numeracy skills are seen as a big driver for this and Atlanta Group, part of the Ardonagh Retail platform, was one of only two insurance companies in a cross-sector panel to put forward real-life examples of customer communications for Plain Numbers research with 5,000 consumers. The research, published in July 2021, found that Plain Number versions of the same customer insurance documents – such as explanations of excess or premium finance costs – on average doubled levels of understanding. Across five trials, customers seeing the Plain Numbers versions were nearly twice as likely to be able to answer 4 out of 5 comprehension questions correctly, thereby enabling them to make better decisions. Atlanta has now become one of the first insurance partners of Plain Numbers and colleagues will receive training to build a team of Plain Numbers Practitioners within Atlanta. The team will then go on to lead the organisation as it looks to support customer comprehension in key communications across our portfolio of brands.

Ardonagh Community Trust (ACT) continues to be one of the Group's proudest achievements and a driver of connection both between our own people and with the wider community. Through this registered charity, we harness the passion of Ardonagh employees to deliver tangible support to the communities they live and work in and the causes closest to their hearts. Thanks to the generosity of our own community and the amazing local efforts of our people, ACT has raised over £1.5 million since 2018 and has supported over 400 charities to date.

CORPORATE GOVERNANCE REPORT

Environmental, social and governance strategy

In 2021, ACT's funding has helped hundreds of small, local charities chosen by our own employees to make a difference to those in need. Over £52,000 was paid via the match funding programme which boosts colleagues' individual fundraising efforts. 35 community projects put forward by our colleagues received a share in over £153,000 via the quarterly grant programme. ACT donated £87,000 to our chosen charity partner Samaritans as part of our ongoing commitment to raising funds and awareness for mental health services.

In 2021, ACT launched the Bright Future Prize to give young people aged between 15-19 years old the chance to win £20,000 to bring an idea to life that would make a difference to a community. Last year one overall winner received £20,000 and three highly commended prizes were awarded in addition. For 2022, the programme is being relaunched with a total funding pot of £40,000 to be awarded across four areas; Your Planet, Your Community, Your Vision and Your Passion, (£10,000 for each winner per category). The age range for the award is also being extended to 13-19 years old.

Throughout the year, we also encouraged colleagues to take their one-paid day a year of volunteering time and despite the ongoing restrictions imposed by Covid-19, over 460 hours were donated into local communities.

Environment

Under the environmental capital pillar, we are looking to better understand, manage and monitor our greenhouse gas emissions (GHG), energy and water use as well as our waste and ecological impact. Ardonagh recognises that we have a responsibility to the environment and endeavours to be as environmentally friendly as possible in its business activities. We are committed to becoming Net Zero and have developed a comprehensive environmental management programme to guide our efforts. We continue to reduce our direct impact on the environment by actively managing our waste and use of natural resources and our consumption of renewable energy is monitored.

Energy Use and Greenhouse Gas Emissions – Location Based

	2021	**2021**	2020	2020
For the financial year ended 31 December	**Energy Use kWh**	**Tonnes CO2 emissions**	Energy Use kWh	Tonnes CO2 emissions
Scope 1 energy use & emissions from stationary combustion - gas	**2,528,199**	**464.86**	2,528,199	464.86
Scope 1 energy use & emissions from business mileage	**1,916,091**	**471.5**	1,829,125	450.1
Scope 2 energy use & emissions from electricity	**7,207,449**	**1,680.34**	7,207,449	1,680.34
Total energy use & greenhouse emissions from Scope 1 & 2 emissions	**11,651,739**	**2,616.70**	11,564,773	2,595.30
Scope 1 & 2 Greenhouse gas emissions per full time employee		**0.442**		0.438
Scope 3 emissions from business travel		**471.27**		87.85
Total Greenhouse gas emissions for scope 1, 2 & 3 for the year		**3,087.97**		2,683.15

CORPORATE GOVERNANCE REPORT

Environmental, social and governance strategy

Methodology

Our Scope 1, Scope 2 and Scope 3 energy use and greenhouse gas emissions data for 2021 is from the same sources as 2020.

To calculate the footprint, data was collated from across the Group and from our suppliers to identify the amount of energy used in our operations. The Ardonagh Group uses the most robust and accurate data source available for each component of its energy use and carbon emission calculations and assumptions.

To enable The Ardonagh Group to meet its internal reporting and investor requirements the footprint is largely calculated prior to the year end with a combination of actual data, historical data and is estimated to be the same as 2020 in some areas. We acquired the Ed and Besso companies on 1 November 2021 and as a result, their metrics have been excluded from the figures reported but will be included in full for 2022 reporting.

Where actual emissions data from energy consumption is not available for an individual office, the Group has applied the average energy consumption per square foot for its offices for which full data is held to that office's square footage. We do not consider refrigerant losses on our air conditioning units to be material and as such these are not reported in our emissions data.

Greenhouse gas (GHG) emissions are calculated in line with the GHG Protocol – Corporate Accounting and Reporting Standard and reported in line with the UK Government's Guidance on Streamlined Energy and Carbon Reporting and mandatory GHG reporting guidance.

The boundary has been set based upon an operational control approach on our business activities and property portfolio. For scope 1 business mileage the company analyses mileage information from expense claims to establish the level of emissions. The scope 3 transport business travel emissions include air, rail and taxi emissions and are also drawn from company expense systems and supplier analysis.

In 2021, 471.5 tonnes CO2 emissions were generated from our business mileage activities. This included nearly 12,000 car journeys of over 1.2m miles in the UK. The volume of travel has increased slightly from 2020 when our activities accounted for 450.1 tonnes CO2 emissions. This is attributed to the easing of Covid restrictions which opened up business travel. Scope 3 emissions from business travel have similarly increased from 2020 but are lower than 2019 (1,186 tonnes CO2 emissions lower).

With scopes 1 and 2 for GHG emissions it is anticipated that 2021 levels would have been similar to those reported in 2020 (2,144 tonnes CO2 emissions). This result compares favourably with 2019 (our true baseline) of 4,274 tonnes CO2 emissions for Scopes 1, 2 and 3 (representing offices and travel).

Travel Type	Journeys	Kg CO2 Emission	Tonnes CO2 emissions
Flight	215	138,797.13	138.80
Hotel	1,805	33,660.40	33.66
Train	3,826	31,873.61	31.87
Vehicle	11,398	266,934.33	266.93
Grand Total	17,244	471,265.47	471.26

Our waste to landfill is less than 0.5% and where electricity is purchased it is bought from renewable sources. Looking further ahead we will focus on furthering our environmental mitigation and impacts by implementing strategies to:

- Deliver 5% year on year reduction in CO2 emissions – through reduced travel and more efficient office use
- Invest in an EV charging network to offset the CO2 produced through our business travel
- Implement a policy such that all vehicle journeys are to be made by EVs by 2030

CORPORATE GOVERNANCE REPORT

Audit committee report

Clive Bouch - Chair of the Audit Committee

I am pleased to report on the Audit Committee's (the Committee) responsibilities and activities during the year.

The Committee's role

The Committee supports the Group Board in overseeing the integrity of external financial reporting, including keeping under review the framework of internal controls and risk management systems in relation to the financial reporting process and protection of client assets. We monitor the independence and effectiveness of our external auditor and the audit process. We also review the independence, effectiveness, resourcing, audit plans and work of the internal audit function.

The external auditor and Head of Internal Audit have direct access to the Committee and report regularly on their respective audit plans and the results of their work. The Head of Internal Audit has a formal reporting line to me. I also work closely with the Group Chief Financial Officer and members of her team outside of formal meetings to ensure challenge and oversight of systems of internal financial control and keep abreast of developments. I provide regular updates to the Group Board on the key matters discussed at Audit Committee meetings.

Activities during 2021

The Committee's principal activities included review of:

- the annual and quarterly reports and financial statements
- significant financial reporting judgements and estimates
- projections and analysis supporting the going concern basis of accounts preparation, including sensitivity analysis around management's forecasts
- assessment of the external auditor's independence
- internal and external reports on the Group's regulated entities' controls and reporting in respect of client assets
- compliance with debt covenants
- management's FCA Threshold Condition 2.4 assessments and regulatory solvency compliance
- matters raised in the external auditor's management letter and management's responses thereto
- the internal audit work-plan, including the re-prioritisation of reviews over the year, review findings and management's responses thereto

Audit committee report *(continued)*

Significant financial reporting matters

In conjunction with Ardonagh Group management and the external auditors, the Committee reviewed the annual and quarterly reports and accounts, the appropriateness of the accounting policies adopted, the going concern basis of preparation and the clarity of disclosures made prior to their approval. The Committee challenged the judgements and estimates made by management and the assumptions on which they were based. Significant issues considered by the Committee included:

- ***Impairment of goodwill and other intangibles:*** the assessment of goodwill and other intangibles for impairment is disclosed in note 13. The Committee considered whether the matters taken into account were consistent with the plans and budgets for the Group and challenged key assumptions and management's findings. The Committee also considered the procedures performed by the external auditors (see external auditor's report on page 41) and their findings. The Committee is satisfied with the process undertaken, conclusions drawn and related disclosures.
- ***Going concern:*** the Committee received management's projections in support of the decision to prepare the financial statements on a going concern basis. The Group has significant debt and is active in M&A. The critical assumptions made, stress tests performed and mitigation plans underpinning the going concern assessment were considered and challenged. The Committee also discussed the external auditor's procedures (see external auditor's report on page 41) and conclusions. The Committee is satisfied with the decision to prepare the accounts on a going concern basis and the disclosures made. Further details regarding the going concern basis of preparation are provided in note 2.
- ***Accounting for acquisitions:*** the Group continues to be active in M&A, the accounting for which involves key judgements and estimates including those in respect of the valuation of performance based consideration, identification of intangible assets and fair values of acquisition balance sheets, and classification of assets and liabilities as held for sale. Details of the acquisitions and disposals are included in notes 11 and 16. The Committee received reports from management in respect of the key judgements and estimates, including the recommendations of third party experts engaged in respect of the identification and valuation of intangible assets acquired and challenged management on key assumptions made and the supporting analysis. The Committee also considered the procedures performed by the external auditors (see external auditor's report on page 41), including the involvement of their own valuation specialists and their findings. The Committee is satisfied with the key judgements made, the accounting and related disclosures as set out in the financial statements.
- ***Revenue recognition:*** The Committee challenged management on the application of the Group's revenue recognition policy, the basis of estimates underlying profit share arrangements and provisions for post placement service obligations. The results of this work and the related disclosures in notes 4, 20, 21, 22 and 25 were reviewed and challenged. The Committee also considered the auditor's findings (see external auditor's report on page 41).
- ***Alternative performance measures:*** The Group presents a number of alternative performance measures in the Strategic Report. The Committee challenged management on achieving clarity in the APM definitions and reasons for their use and achieving equal prominence with regards to the IFRS results. The Committee also challenged management on the nature of and controls over identifying adjustments to the IFRS results and prominence of reconciliations between the statutory results and the APMs and considered the external auditor's feedback thereon (see external auditor's report on page 41).
- ***Issue of preference shares:*** The Company issued preference shares during the period. The Committee challenged the requirements of IAS 32 when considering the classification of the shares and are satisfied they are properly accounted for as equity.

Risk management and internal control

The Audit Committee and Group Risk Committee provide important contributions in overseeing the effectiveness of the Group's system of risk management and internal control. The Committees receive regular reports from management, external audit, internal audit, compliance and risk management functions, and Chairs of the Segments' Risk & Audit Committees. The Committees encourage and support continuous improvement in the effectiveness of the systems of risk management and internal control.

The Committee considers an important part of its role is to ensure that the commitment to strengthening the Group's internal control environment is maintained and that the work of the Group's third-line of defence considers the organisation's governance and culture is conducive to supporting effective systems of internal control.

CORPORATE GOVERNANCE REPORT

Audit committee report *(continued)*

Internal audit

The Internal Audit plan is based on a risk assessment of the business and its strategy, top risks, core systems and control assessments. The internal audit plan was reviewed and adjusted during the pandemic, running into 2021, to give priority to: completing audits that had started; areas of regulatory interest; the business responses to ensure continuing core operations; and areas of elevated risk. During the year internal audit reviews were undertaken in respect of IT Governance, cyber, flexible working arrangements, conduct risk, effectiveness of the Group Assurance function, quality assessment frameworks and quality monitoring, pricing, and fraud governance and oversight. Group Internal Audit also engaged with key oversight and steering groups, such as on client money, co-sourcing of back-office functions and regulatory changes in retail pricing, providing live views and assurance.

During 2021, the Committee conducted an effectiveness review of the Internal Audit function across two phases. The first phase was conducted in Q2 2021 and was focused on the audit planning process to enable findings to be incorporated into the 2022 planning process. The review highlighted areas of improvement in respect to coordination with Group Assurance and enhancing resource planning. All actions arising from the review have been closed. The second phase of the review was conducted in Q4 2021 and focused on the standing of the function within the three lines of defence, reporting, leadership and the optimal maturity state of the function. The findings of this phase of the review will be reported to the Audit Committee and Segment Risk & Audit Committees during Q1 and Q2 2022.

External audit

The audit engagement partner and senior members of the engagement team attended meetings during the year, providing detailed reports on the plans for the annual audit and reviews of quarterly results, engagement team, regulatory change, auditor independence, key audit risks, work performed and results thereof.

The Committee has kept under review the performance of the external auditor, including their expertise, level of engagement, service delivery, significant audit risks and audit approach, quality and timeliness of reports, and cost effectiveness. This also addressed quality of service delivery through periods of lock-down. Feedback is obtained from the Ardonagh Group's finance team on Deloitte's performance and from Deloitte on service delivery and how they have responded to matters highlighted in the Financial Reporting Council's Annual Quality Inspection reports. The conclusion of the Committee was that the audit has been effective.

The Committee assesses annually the independence and objectivity of the external auditor, taking into account relevant UK professional and regulatory requirements and the relationship with the external auditors as a whole, including the provision of any non-audit services. The Committee receives reports from the external auditors on their arrangements to identify, report and manage any conflicts of interest and on the extent and nature of non-audit services provided. The Committee also satisfies itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditors and the Company that risk impairing independence and monitors the external auditor's compliance with relevant ethical and professional guidance.

During 2021 the level of non-audit services amounted to £0.7m, compared to Group audit fees of £3.4m. The Committee satisfied itself that for all non-audit services, robust controls (including appropriate levels of review) were in place to ensure that Deloitte's objectivity and independence were safeguarded. Deloitte have confirmed that the level of non-audit fees and services provided have not affected their independence. A breakdown of non-audit fees are set out in note 10.

Clive Bouch
Chair of the Audit Committee

DIRECTORS' REPORT

The Directors have pleasure in presenting their Strategic Report, Directors' Report and the audited financial statements for the year ended 31 December 2021. The Corporate Governance Report, including the ESG Report on pages 29 to 33, forms part of this report.

General information and principal activities
Ardonagh Midco 2 plc (the Company) is a private company limited by shares with registered number 117710. It is incorporated and domiciled in the United Kingdom. The address of its registered office is 2 Minster Court, Mincing Lane, London, United Kingdom, EC3R 7PD.

Ardonagh Midco 2 plc is a holding company which delivers central functions across the Group and, through its subsidiaries, operates primarily to distribute insurance products, to act as an underwriting agent and to provide third party policy administration and claims services for insurers, corporations, affinity partners and brokers. The Group does not take on any insurance risk.

Information regarding the ultimate parent company can be found in note 35 of the consolidated financial statements.

Share capital and dividends
The issued share capital of the Company, together with details of shares issued during the year is shown in note 32 to the consolidated financial statements.

The Directors do not propose a dividend to equity shareholders (2020: £nil).

Financial risk management objectives and policies
Details of financial risk management objectives and policies can be found in the Strategic Report within the 'Principal risks and uncertainties' section on pages 17 to 20.

Directors
The Directors who held office during the year and up to the date of signing were as follows:
Clive Bouch
Pat Butler
Diane Cougill
Aurelio Cusaro (alternate director for Scot French)
Vahe Dombalagian
Scot French
Matthew Raino (alternate director for Vahe Dombalagian)
David Ross
John Tiner

Directors' Indemnities
All Directors benefit from qualifying third-party indemnity provisions in place during the financial year and at the date of this report. In accordance with the Company's Articles of Association, those Shareholders in Ardonagh Midco 2 plc holding shares on a look-through basis, representing at least 10%, have a right to appoint Investor Directors (up to a maximum of 5 Investor Directors in total) and may remove such Investor Directors appointed by them.

Future developments
Following a number of targeted acquisitions in 2021, Ardonagh will look to use this foundation to deliver a strong environment for service excellence and growth while continuing to seek opportunities to expand the Group's global footprint. This intent is exemplified by the exchange of contracts to acquire MDS SGPS sa in December 2021, which will deliver access to the fast growing and evolving Portuguese and Brazilian insurance markets and economies. Further consideration of the long-term success of the Group is set out in principle 4 of the Corporate Governance report on page 25.

Employees
Details of how we engage with our employees is set out on page 26.

DIRECTORS' REPORT

Employment of disabled persons
The Group'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. Reasonable adjustments are made to maintain the services of an employee who becomes disabled during their working life, for example, training, the provision of special equipment and reduced working hours. The Company is prepared to modify procedures or equipment, wherever practicable, so that full use can be made of an individual's abilities.

Engagement with suppliers, customers and others
Details of how the directors have had regard to the need to foster the Group's business relationships with suppliers, customers and others is on page 27.

Streamlined Energy and Carbon Reporting ("SECR")
For the year ended 31 December 2021 and in accordance with the 2018 Regulations, we have reported our energy consumption, energy efficiency and greenhouse gas emissions on page 32 of the Corporate Governance report.

S.172 Disclosure
An explanation of how the Directors discharge their obligations under Section 172(1) (a)-(f) of the Companies Act 2006 is set out in the Corporate Governance Report on page 26. The Board has continued to apply the Wates Principles for the year ended 31 December 2021.

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

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

Political contributions
The Group made no political contributions during the year (2020: £nil).

Subsequent events
Details of subsequent events can be found in note 37 to the Consolidated Financial Statements.

Disclosure of information to auditor
The Directors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Reappointment of auditor
Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:

D Cougill
Director
21 April 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Group and parent company financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the UK and have elected to prepare the parent company financial statements in accordance with UK accounting standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Company law requires the Directors to prepare Group financial statements for each financial year which give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

SECTION 2

ARDONAGH MIDCO 2 PLC

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARDONAGH MIDCO 2 PLC

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Ardonagh Midco 2 Plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of profit and loss and other comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows; and
- the related notes 1 to 37 and 1 to 14.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. 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 group and the parent 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 as applied to listed entities, 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.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Going concern; • Acquisition accounting under IFRS 3 *Business Combinations* - Bravo; • Goodwill impairment; • Presentation of Alternative Performance Measures ('APMs'); • Revenue recognition – Estimation of Variable Consideration reported in Commissions and fees and revaluation of the trail commission asset acquired with Swinton ("Swinton Monthly Products asset") reported in Other income; and • Preference share issue: classification as debt or equity.

	Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £9m which was determined on the basis of 0.98% of Commissions and Fees.
Scoping	Scoping coverage included 9 components subject to full scope audits and a further 9 subject to the audit of specified account balances. These scoped in entities represent 82% of group Revenue and 84% of group total cash.
Significant changes in our approach	There have been no significant changes to our audit approach compared to the prior year except for changes in the key audit matters as described below. In the current year, the Preference share issue: classification as debt or equity and Acquisition accounting under IFRS 3 business combinations - Bravo, were both considered Key Audit Matters given the significance of the preference share issue and the Bravo acquisition to the group. The Enhanced Transfer Value ("ETV") provision is no longer considered a Key Audit Matter as the ETV redress programme is nearing completion with the net ETV provision being considered not material.

4. Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting is discussed in section 5.1.

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 group's and parent 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.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Going Concern

Key audit matter description	Management makes an assessment of the group's ability to continue as a going concern, taking into account all available information about the future, which is at least, but is not limited to, twelve months from the date when the financial statements are authorised for issue. The Directors'

	concluded that it is appropriate to prepare the financial statements for the 12 months ended 31 December 2021 on a going concern basis. As at 31 December 2021 the group has debt (current and non-current) amounting to £2,675m (2020: £1,969m). The borrowings include $500m payment-in-kind ("PIK") toggle notes due 2027, a privately placed term loan facility due 2026 of £1,575m, a £300m committed Capex, Acquisition and Re-organisation ("CAR") facility due 2026 and a $540m CAR facility due 2026. Under the terms of the debt arrangements the group also continues to benefit from the availability of a Revolving Credit Facility ("RCF"). The group's finance costs on bank and other borrowings give rise to annual interest costs of £217.4m (2020: £136.4m), which are considered within year end forecast cash flows. As part of their going concern assessment, the Directors have considered the principal risks facing the group, including the potential continued financial and operational impacts of Covid-19, and its systems of risk management and internal control. In the light of the economic uncertainty caused by Covid-19 the Directors have considered key stress scenarios as follows: • Shortfalls in base case projected income throughout 2022 and 2023; • Deterioration in base case cash conversion rates over and above the shortfalls in income; *and* • Mitigating actions within management control including delayed capital expenditure, a reduction in discretionary spend and some reduction in employee headcount and remuneration. Auditing the going concern assessment involved subjective judgement and an increased extent of effort, including the need to make additional enquiries of management outside of the finance function. Refer to Note 2 to the financial statements for the basis of preparation.
How the scope of our audit responded to the key audit matter	We have gained an understanding of management's process for performing the going concern assessment and obtained an understanding of relevant controls. We performed the following audit procedures: • We evaluated and challenged key assumptions underpinning cash flow forecasts, the stresses applied and the reverse stress test. In particular we compared market forecast assumptions for 2022 and 2023 with the actual performance in 2021 compared to the revised budgets developed in March 2021. • We assessed mitigating cost actions within management's control and tested the availability of the RCF and compliance with debt covenants; • We made inquiries of senior management in relation to their assessment of the continued operational impacts of Covid -19 on the group including inquiries regarding business resilience; • We inspected correspondence between the group and its regulators • We performed an analysis of the group's financial performance in the first two months after the balance sheet date; and • We assessed financial statement disclosures in respect of going concern for transparency and inclusion of all facts and circumstances of which we are aware through the performance of the audit work.
Key observations	We concur with the Directors' conclusion that it is appropriate to prepare the financial statements for the 12 months ended 31 December 2021 on a going concern basis.

5.2. Goodwill Impairment

Key audit matter description	Goodwill arising on business combinations is a significant asset on the balance sheet of the group £1,619.6m (2020: £1,192.0m). Goodwill increased significantly during 2021 following significant acquisitions. As required by IAS 36 Impairment of Assets, goodwill is tested for impairment at least annually. Management concluded no impairment was required. During 2021 the group continued to monitor goodwill at the division level as this remained the lowest level of aggregation of cash generating units within the group at which goodwill could be monitored for management purposes. Determining whether goodwill is impaired requires an estimation of the recoverable amount of each division, using the higher of value in use ("VIU") and fair value less costs to dispose ("FVLCD"). The VIU amount is subjective and calculated using an impairment model underpinned by key assumptions including forecast cash flows, discount rates and long-term growth rates. Management use a VIU approach to assess the recoverable amount of all divisions. A headroom calculation is performed as the amount of calculated VIU above the carrying value of the division. Divisions with less head room are at greater risk of impairment where the impairment model is sensitive to key assumptions. Refer to Note 4 to the financial statements (Key sources of estimation uncertainty) and Note 13 to the financial statements (Intangible assets).
How the scope of our audit responded to the key audit matter	We have gained an understanding of management's process for performing the annual impairment test and obtained an understanding of relevant controls. In addition, we performed the following audit procedures: • We reviewed and challenged management's CGU assessment through assessing the level at which cash inflows are generated and the level at which goodwill is monitored; • We challenged the assumptions used in the annual impairment review, in particular forecast growth rates applied to each of the divisions within the five year business plan through assessing segment strategies and planned business development; • We tested the accuracy of management's impairment model; • We performed an assessment of actual FY 2021 cash flows against prior period forecasts to assess the accuracy of management's forecasting; and • We involved our valuation specialists to assess and challenge the discount rate used.
Key observations	We considered that management's conclusion that no impairment is required as of 31 December 2021 is reasonable. The forecasts used in the annual impairment exercise were consistent with the most recent financial forecasts approved by the Board. Key assumptions including discount rates and growth rates used within business forecasts are reasonable. We considered the financial statements disclosures in relation to the goodwill impairment test were appropriate and as required by IAS 36.

5.3. Acquisition accounting under IFRS 3 *Business combinations* – Bravo

Key audit matter description	On 14 July 2020 the group acquired Nevada 4 Midco 1 Limited together with its subsidiary undertaking Bravo Investment Holdings Limited ("Bravo"). This transaction constituted a business combination under IFRS 3 *Business combinations*. Management engaged a third-party expert to perform an independent fair value assessment of the acquired intangible assets at the valuation date and perform the Purchase Price Allocation ("PPA") for financial reporting purposes. Management have 12 months from the date of acquisition to finalise the acquisition accounting. Transactions that constitute a business combination under IFRS 3 must be accounted for by applying the acquisition method, so that the assets and liabilities assumed are recognised by the acquirer at their acquisition-date fair values. Specifically, there are four steps in its application: • Identification of the acquirer; • Determination of the acquisition date; • Recognition and measurement of the assets acquired and liabilities assumed; • Recognition and measurement of goodwill. The Bravo acquisition is considered a key audit matter due to the scale of the transaction and the complexity of accounting due to the PPA approach. Refer to Note 13 to the financial statements (Intangible assets).
How the scope of our audit responded to the key audit matter	We have gained an understanding of management's process for acquisition accounting and obtained an understanding of relevant controls. In addition, we performed the following audit procedures: • We evaluated the competence, capabilities and objectivity of management expert; • We assessed management's projections, forecasts and accounting assumptions including the impact of Covid-19 on the underlying cash flow assumptions, used in the fair value analysis; • We tested the completeness and accruacy of data inputs used in the valuation of intangible assets; and • We invloved our valuation specialists in assessing the reasonableness of the key valuation assumptions (discount rate, long-term growth rate, valuation multiples) and whether the valuation assumptions are consistent with what market participants would use in pricing the item.
Key observations	No issues were noted through our detailed testing of the Purchase Price Accounting exercise of the Bravo acquisition.

5.4 Presentation of Alternative Performance Measures (APMs)

Key audit matter description	Adjusted EBITDA is a key metric that management use to assess the quality of the group's earnings. Management removes adjusting items ("Items excluded from Adjusted EBITDA"), being significant acquisition and disposal related items and other costs associated with the ongoing transformation of the group. Pro formas are presented as if the significant acquisition and disposal related transactions occurred on the first day of the comparative period.

	The group reports Items excluded from Reported Adjusted EBITDA of £98.2m (2020: £72.2m), and Adjusted EBITDA pro forma for completed transactions of £105.7m (2020: £73.4m) in the Annual Report. This measure and other such non-GAAP measures used are Alternative Performance Measures ("APMs"). An APM is defined by European Securities and Markets Authority ("ESMA") as "a financial measure of historical or future performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework (e.g. UK adopted IFRS) applied by the entity". The group has in place adjusting items definitions (see Glossary in Section 3 of the Annual Report) and a risk exists that these are not consistently applied across the group. In addition, there is a risk that these adjusting items are not clearly disclosed and that undue prominence is given to APMs compared to the statutory results of the group within the Annual Report. Refer to section 1 of the Annual Report (Summary of group Financial Performance) and section 3 of the Annual Report (Other unaudited financial information).
How the scope of our audit responded to the key audit matter	We have gained an understanding of management's process for APMs and obtained an understanding of relevant controls. We performed the following procedures: • Tested management's reporting of a sample of items excluded from Adjusted EBITDA to assess consistency with the group's published definition and policies for these items; • Tested a sample of items excluded from Adjusted EBITDA to invoice or other supporting evidence for the expense; • Assessed whether the use of APMs in the group's annual report is consistent with the guidelines produced by regulators; • Assessed whether there is appropriate balance between the use of statutory metrics, Pro Forma Adjusted EBITDA and other APMs, together with clear definitions and reconciliations within the Annual Report; • Assessed the prominence given to Pro Forma Adjusted EBITDA and other APMs relative to the group's statutory results; and • Considered whether Pro Forma Adjusted EBITDA and other APMs were consistently applied in the current year annual report and as presented in the prior year annual report.
Key observations	Our testing of a sample of items presented as adjusting did not identify any instances that were not presented in accordance with the group's definitions. We considered that the group's use and presentation of Alternative Performance Measures was acceptable and consistently applied.

5.5 Revenue recognition – Estimation of Variable Consideration reported in Commissions and fees and revaluation of the trail commission asset acquired with Swinton ("Swinton Monthly Products asset") reported in Other income

Key audit matter description	In accordance with ISA 240, during the year ended 31 December 2021 we identified a risk of fraud in revenue recognition, in relation to two sources of material revenue within Commissions and Fees £915.4m (2020: £689.1m) and Other Income £24.9m (2020: £22.7m).

	Estimation of variable consideration – Components of the group recognise income from profit share arrangements and trading deals. Revenue recognised under these arrangements is dependent on satisfying performance obligations per underlying agreements and the amount and timing of revenue recognition is inherently uncertain. Management apply judgement in estimating the related variable consideration, which is measured on a best estimate basis through applying assumptions including loss ratios and claims handling costs; and **Revaluation of Swinton monthly products asset** – The Swinton business acquired on 31 December 2018 has significant trail commissions arising from certain products that renew monthly. Under acquisition accounting the amounts receivable were estimated and fair valued using a discounted cashflow model over the expected life of each type of product. At the year end, this receivable is revalued and any revaluation movements are recorded as Other income. Management applies judgement in calculating the present value of future cash flows, including past experience, a best estimate of any associated risks, product lifetime restrictions, expected customer cancellation profiles and potential persistency of products. We focus our testing on the most judgemental assumptions being the customer cancellation profiles and product lifetime restrictions. Refer to Note 3 to the financial statements (Accounting policies), Note 4 to the financial statements (Key sources of estimation uncertainty) and Note 5 to the financial statements (Segmental analysis).
How the scope of our audit responded to the key audit matter	We have gained an understanding of management's process for recording revenue across the group's components and obtained an understanding of relevant controls. In addition, we performed the following audit procedures: **Estimation of variable consideration:** • We evaluated corroborating and contradictory third party evidence to support revenue recognition and compared recorded revenues with the contractual agreements; • We tested the appropriateness of a sample of input data; • We assessed evidence after the balance sheet date to conclude on the reliability of the year end estimate; and • We tested the appropriateness of management's assumptions in calculating the estimate. **Revaluation of Swinton monthly products asset** • We built our own replicating model using management's assumptions to recalculate the fair value of the Swinton monthly products asset and thus demonstrate the accuracy of the model used by management; • We tested the completeness and accuracy of data inputs into the model through agreement of a sample to policy documentation; • We tested key assumptions included within the model, being: the product lifetime restrictions; and the customer cancellation profiles. We tested the accuracy of the 2021 customer cancellation forecast made at the end of 2020 with a hindsight analysis; and • We involved our general insurance regulation specialists in assessing the product lifetime restrictions given existing market practice and the potential impacts of the FCA market study into general insurance pricing practices.

Key observations	We concluded estimated variable consideration balances recorded by management are appropriate. Our testing of customer cancellation profiles supported by retrospective analysis of the cancellation profiles forecast for 2021 did not identify any issues. We concluded that the expected product lifetimes used in the valuation are reasonable.

5.6 Preference share issue – Classification as equity or debt

Key audit matter description	During the year HPS Investment Partners LLC ('HPS') committed a £350m equity investment in the group. This was achieved through issuing 350,000 E shares of nominal value £0.01 – the preference shares. Contracts were exchanged in August 2021 and the investment completed in September 2021. IAS 32 *Financial Instruments: Presentation* requires an issuer of a financial instrument to classify the financial instrument, or its component parts, as a financial liability or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. The Articles of Association and subscription agreement set out key terms relating to the preference share issue, specifically relating to key IAS 32 assessment criteria being: • Contractual obligations to pay dividends and interest; • Contractual obligations governing redemption of the preference shares; and • Contractual arrangements in the form of put options over the preference shares. Management has concluded its assessment and classified these preference shares as equity. There is a risk that the terms of the contract, which are complex, mean the preference shares do not meet the definition of equity and should be recorded as debt. Refer to Note 4 to the financial statements (Key accounting judgements).
How the scope of our audit responded to the key audit matter	We performed the following audit procedures: • We reviewed the Articles of association and subscription agreement to identify key terms relating to the preference share issue; • We evaluated management's accounting assessment that the preference shares are equity; • We tested preference shares issued to signed agreement and cash receipts; and • We assessed the financial statement disclosure as a key accounting judgement.
Key observations	Based on the relevant contractual obligations as set out on the Articles of Association and subscription agreement we concur with management's assessment that the preference shares are classified as equity.

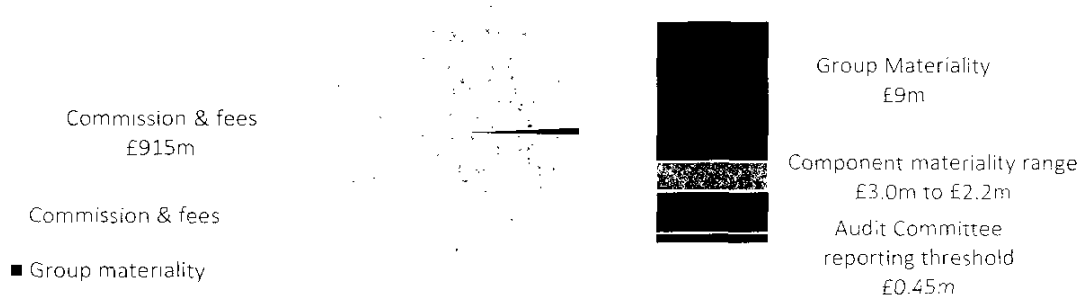
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£9m (2020: £5.3m)	£8.1m (2020: £5.2m)
Basis for determining materiality	0.98% of Commission and fees (2020: 0.77% Commission and fees).	0.79% of Parent company net assets (2020: 0.65%). We apply a materiality cap for the parent company to be lower than the group at 90%.
Rationale for the benchmark applied	Commissions and fees was determined to be the key driver behind the performance of the group going forward and is therefore of key interest to the shareholders.	Net assets is determined to be the materiality benchmark given the activities of the company. A non-trading holding company with principal activities being to hold intercompany subordinated debt and investment in subsidiaries.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	60% (2020: 55%) of group materiality	60% (2020: 55%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: our risk assessment, including our assessment of the group's overall control environment and that we considered not to rely on controls over a number of business processes; and the lower level of corrected and uncorrected misstatements in the prior year. We have increased our performance materiality percentage compared to 2020 in response to an assessed reduction in risk posed by Covid 19 to the current operating environment and results.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.45m (2020: £0.26m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

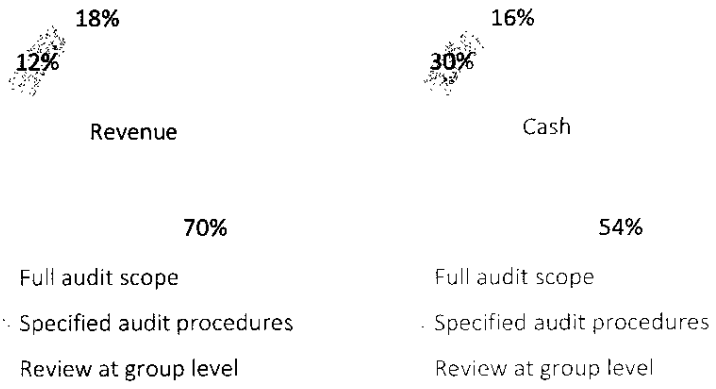
7.1. Identification and scoping of components

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

Given the number of components and operating locations within the group, we assessed the extent of audit work required to be performed to give appropriate coverage for the purposes of the group financial statement audit. Our approach considered revenue contribution to the group result as primary measure of financial significance and scope, and cash as a secondary balance sheet measure given the significance of the cash balance to the operational activities of wider group. Coverage *obtained on this basis was 82% (2020: 92%) of Revenue and 84% of cash (2020: 90% of group total assets).*

Of the group's 18 significant components, 9 were subjected to full scope audits of the financial information of the component and 9 subjected to an audit of one or more account balances, classes of transactions or disclosures. Those subjected to an audit of one or more account balances, classes of transactions or disclosures are not individually financially significant enough to require full scope audit of the financial information of the component for group purposes, but did present specific areas of risk which needed to be addressed.

At the group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to a full audit.



7.2. Working with other auditors

Work on two components, Arachas Corporate Brokers (Ireland) and Resilium (Australia), were undertaken by Deloitte overseas component audit teams. Work on a single component Ed Broking and Besso Insurance ("Ed Besso") is performed by a different audit firm, EY.

We directed and supervised the component teams in the performance of their work through providing detailed instructions setting out the work to be performed, having regular conference calls with the team throughout the audit and by performing a review of their audit working papers over a video conference.

8. 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.

9. 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. 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.

11. 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.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities;
- *any matters we identified having obtained and reviewed the group's documentation of their policies and procedures* relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;

- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
- the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;

- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, IT, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: Goodwill impairment, Acquisition accounting, Presentation of APMs, and Revenue recognition. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the group's FCA permissions and compliance with FCA client assets regulations.

11.2. Audit response to risks identified

As a result of performing the above, we identified Goodwill impairment, Acquisition accounting under IFRS 3 Business Combinations - Bravo, Presentation of APMs, Revenue recognition – Estimation of Variable Consideration reported in Commissions and fees and revaluation of the trail commission asset acquired with Swinton ("Swinton Monthly Products asset") reported in Other income as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the FCA;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or *outside the normal course of business.*

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

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

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

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

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. 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.

Stuart McLaren (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
21 April 2022

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	**Year ended 31 December 2021 £000**	Year ended 31 December 2020 £000
Commission and fees	5	**915,445**	689,083
Other income	5	**24,929**	22,704
Investment income	7	**127**	787
Salaries and associated costs	9	**(446,709)**	(345,513)
Other operating costs	5	**(264,862)**	(206,392)
Impairment of financial assets	5	**(10,066)**	(10,319)
Depreciation, amortisation and impairment of non-financial assets	5	**(117,447)**	(96,177)
Fair value loss on de-designated cross currency derivatives	5	**-**	(2,136)
Share of profit from joint venture	18	**1,151**	1,417
Share of profit from associate	18	**246**	608
Operating profit		**102,814**	54,062
Gain on revaluation of associate and investments	5	**1,972**	-
Loss on disposal of subsidiary or business	11	**-**	(1,665)
Finance costs	8	**(204,546)**	(235,829)
Finance income	8	**5,334**	1,218
Loss before tax		**(94,426)**	(182,214)
Tax credit/(expense)	12	**22,537**	(17,212)
Loss for the year		**(71,889)**	(199,426)
Attributable to:			
Owners of the parent		**(73,626)**	(203,079)
Non-controlling interests		**1,737**	3,653
Loss for the year		**(71,889)**	(199,426)

The notes on pages 61 to 193 form an integral part of these consolidated financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Loss for the year	**(71,889)**	(199,426)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**(15,114)**	(3,572)
Change in costs of hedging reserve	**3,831**	(4,789)
Change in cash flow hedging reserve	**(2,221)**	(4,385)
Loss on financial assets at fair value through other comprehensive income	**(19)**	(5,176)
Tax relating to items that may be reclassified	**(306)**	1,704
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of net pension obligation	**1,060**	-
Other comprehensive expense for the year	**(12,769)**	(16,218)
Total comprehensive loss for the year	**(84,658)**	(215,644)
Attributable to:		
Owners of the parent	**(86,395)**	(219,297)
Non-controlling interests	**1,737**	3,653
Total comprehensive loss for the year	**(84,658)**	(215,644)

The notes on pages 61 to 193 form an integral part of these consolidated financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	**31 December 2021 £000**	31 December 2020 £000
Non-current assets			
Intangible assets	13	**2,332,319**	1,635,322
Property, plant and equipment	14	**29,372**	27,110
Right-of-use assets	15	**42,968**	41,052
Investment in associates and joint ventures	18	**6,365**	8,759
Financial assets at fair value through other comprehensive income	25	**7,747**	285
Trade and other receivables	20	**94,487**	24,183
Contract assets	21	**2,689**	2,663
Other assets	22	**10,146**	10,049
Defined benefit pension asset	28	**6,166**	-
Derivatives	26	**173**	446
		2,532,432	1,749,869
Current assets			
Cash and cash equivalents	19	**1,335,315**	585,637
Trade and other receivables	20	**695,269**	269,445
Derivatives	26	**1,278**	3,098
Contract assets	21	**15,834**	11,482
Other assets	22	**40,246**	25,439
Financial assets at fair value through profit or loss	25	**12**	14
Current tax asset	30	**-**	1,145
Assets held for sale	11	**146**	24,146
		2,088,100	920,406
Current liabilities			
Trade and other payables	27	**(1,519,506)**	(639,931)
Borrowings	29	**(72,403)**	(46,909)
Lease liabilities	15	**(15,607)**	(12,997)
Derivatives	26	**(47,472)**	(508)
Contract liabilities	21	**(44,873)**	(30,856)
Provisions	31	**(12,372)**	(28,359)
Current tax liability	30	**(7,714)**	(1,811)
		(1,719,947)	(761,371)
Net current assets		**368,153**	159,035
Non-current liabilities			
Trade and other payables	27	**(74,390)**	(14,624)
Borrowings	29	**(2,619,236)**	(1,922,353)
Lease liabilities	15	**(35,786)**	(36,882)
Derivatives	26	**(1,936)**	(50,735)
Contract liabilities	21	**(3,782)**	(1,288)
Defined benefit pension obligation	28	**(10,926)**	-
Provisions	31	**(16,282)**	(13,863)
Deferred tax liabilities	30	**(54,489)**	(10,591)
		(2,816,827)	(2,050,336)
Net assets/(liabilities)		**83,758**	(141,432)

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	**31 December 2021 £000**	31 December 2020 £000
Capital and reserves attributable to the Group's shareholders			
Share capital	32	**694,788**	688,885
Share premium		**344,540**	-
Capital contribution reserve		**60,211**	60,211
Retained losses		**(1,071,956)**	(933,766)
Hedging reserves		**(4,360)**	(5,664)
Merger reserve		**61,876**	61,876
Foreign currency translation reserve		**(18,382)**	(3,268)
Shareholders' equity		**66,717**	(131,726)
Non-controlling interest		**17,041**	(9,706)
Total equity		**83,758**	(141,432)

The notes on pages 61 to 193 form an integral part of these consolidated financial statements.

This set of consolidated financial statements was approved by the Board of Directors on 21 April 2022 and was signed on its behalf by:

D Cougill
Director

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £000	Capital contribution reserve £000	Share premium £000	Retained losses £000	Hedging reserves £000
At 1 January 2021	688,885	60,211	-	(933,766)	(5,664)
(Loss)/profit for the period	-	-	-	(73,626)	-
Other comprehensive income/(expense)	-	-	-	1,041	1,304
	688,885	60,211	-	(1,006,351)	(4,360)
Share-based payment scheme	-	-	-	856	-
Issue of share capital	-	-	335,000	-	-
Sale of own shares	-	-	-	-	-
Distribution to non-controlling interests	-	-	-	(300)	-
Transactions with non-controlling interest	5,903	-	9,540	(66,161)	-
Foreign exchange on non-controlling interest	-	-	-	-	-
At 31 December 2021	694,788	60,211	344,540	(1,071,956)	(4,360)

	Merger reserve £000	Foreign currency translation reserve £000	Total share-holders' equity £000	Non-controlling interest £000	Total equity £000
At 1 January 2021	61,876	(3,268)	(131,726)	(9,706)	(141,432)
(Loss)/profit for the period	-	-	(73,626)	1,737	(71,889)
Other comprehensive income/(expense)	-	(15,114)	(12,769)	-	(12,769)
	61,876	(18,382)	(218,121)	(7,969)	(226,090)
Share-based payment scheme	-	-	856	-	856
Issue of share capital	-	-	335,000	-	335,000
Sale of own shares	-	-	-	-	-
Distribution to non-controlling interests	-	-	(300)	(543)	(843)
Transactions with non-controlling interest	-	-	(50,718)	25,559	(25,159)
Foreign exchange on non-controlling interest	-	-	-	(6)	(6)
At 31 December 2021	61,876	(18,382)	66,717	17,041	83,758

See note 32 for details of share capital, note 26 for hedging reserves and note 17 for transactions with non-controlling interests.

The notes on pages 61 to 193 form an integral part of these consolidated financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital £000	Capital contribution reserve £000	Share premium £000	Retained losses £000	Hedging reserves £000
At 1 January 2020	587,235	60,211	-	(618,244)	1,806
(Loss)/profit for the period	-	-	-	(203,079)	-
Other comprehensive expense	-	-	-	(5,176)	(7,470)
	587,235	60,211	-	(826,499)	(5,664)
Share-based payment scheme	-	-	-	1,299	-
Purchase of own shares	-	-	-	-	-
Issue of share capital	88,230	-	-	-	-
Cancellation of treasury shares	-	-	-	-	-
Distribution to non-controlling interests	-	-	-	-	-
Transactions with non-controlling interests	13,420	-	-	(108,566)	-
Disposal of subsidiary	-	-	-	-	-
At 31 December 2020	688,885	60,211	-	(933,766)	(5,664)

	Merger reserve £000	Foreign currency translation reserve £000	Total share-holders' equity £000	Non-controlling interest £000	Total equity £000
At 1 January 2020	61,876	304	93,188	4,189	97,377
(Loss)/profit for the period	-	-	(203,079)	3,653	(199,426)
Other comprehensive expense	-	(3,572)	(16,218)	-	(16,218)
	61,876	(3,268)	(126,109)	7,842	(118,267)
Share-based payment scheme	-	-	1,299	-	1,299
Purchase of own shares	-	-	-	-	-
Issue of share capital	-	-	88,230	-	88,230
Cancellation of treasury shares	-	-	-	-	-
Distribution to non-controlling interests	-	-	-	(120)	(120)
Transactions with non-controlling interests	-	-	(95,146)	(18,578)	(113,724)
Disposal of subsidiary	-	-	-	1,150	1,150
At 31 December 2020	61,876	(3,268)	(131,726)	(9,706)	(141,432)

The notes on pages 61 to 193 form an integral part of these consolidated financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	**Year ended 31 December 2021 £000**	Year ended 31 December 2020 £000
Cash flows from operating activities			
Net cash inflow from operations	23	**687,781**	153,564
Finance income and investment income received		**361**	2,005
Income from associate and joint venture		**1,587**	1,715
Tax paid		**(4,568)**	(3,908)
Settlement of forward contracts		**3,326**	(529)
Net cash inflow from operating activities		**688,487**	152,847
Cash flows from investing activities			
Acquisition of businesses net of cash acquired		**(312,404)**	(102,422)
Purchase of property, plant, equipment and intangible assets		**(25,413)**	(24,838)
Proceeds on disposal of property, plant and equipment		**-**	1,207
Purchase of financial asset		**(9,357)**	(4,995)
Disposal of business net of cash disposed		**-**	(31)
Proceeds on disposal of financial asset		**22,750**	-
Deferred consideration received		**1,863**	-
Contingent consideration paid		**(33,729)**	(8,818)
Repayment of lease receivable		**-**	199
Net issue of loans received		**(66,210)**	(32,411)
Net cash outflow from investing activities		**(422,500)**	(172,109)
Cash flows from financing activities			
Interest paid on borrowings		**(117,956)**	(103,747)
Repayments of premium financing		**-**	(4,341)
Debt transaction costs		**-**	(48,295)
Repayment of lease liabilities		**(16,429)**	(12,949)
Transactions with non-controlling interests		**365**	(6,530)
Early termination of cross currency swaps		**-**	22,611
Purchase of own shares		**(1,975)**	-
Net proceeds from issue of ordinary shares		**-**	-
Net proceeds from issue of preference shares		**-**	-
Net proceeds from borrowings		**633,755**	2,033,747
Repayment of borrowings		**(9,611)**	(1,684,119)
Net cash inflow from financing activities		**488,149**	196,377
Net increase in cash and cash equivalents		**754,136**	177,115
Cash and cash equivalents at the beginning of the year	19	**585,637**	410,903
Cash disclosed as held for sale at the beginning of the year		**-**	799
Effect of movements in exchange rates on cash held		**(4,458)**	(3,180)
Cash and cash equivalents at the end of the year	19	**1,335,315**	585,637

Cash and cash equivalents includes restricted cash (see note 19 for details).

The notes on pages 61 to 193 form an integral part of these consolidated financial statements.

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Ardonagh Midco 2 plc (the Company) was incorporated on the 20 March 2017 as a public company limited by shares with registered number 10679958. It is incorporated and domiciled in the UK. The address of its registered office is 2 Minster Court, London, EC3R 7PD. The principal business activities of the Company and its subsidiaries are described in the Directors' Report.

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Basis of preparation

The consolidated financial statements comprise the Company and its subsidiaries (the Group) and have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the United Kingdom (UK-adopted IFRS) and the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements are presented in GBP (£).

Amounts shown are rounded to the nearest thousand, unless stated otherwise.

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

The Directors have considered the guidance of the UK Financial Reporting Council and events relating to the spread of coronavirus (Covid-19) in preparing these financial statements.

Going concern

At 31 December 2021, the Group had net assets of £83.8m (31 December 2020 net liabilities: £141.4m) and net current assets of £368.2m (31 December 2020: £159.0m). The Group reported an operating profit of £102.8m for the year ended 31 December 2021 (31 December 2020: £54.1m), net cash inflows from operating activities of £688.5m (31 December 2020: £152.8m), cash inflows of £754.1m (31 December 2020: £177.1m) and operating cash conversion of 96% (31 December 2020: 97%). Available cash of £411.3m was reported on 31 December 2021 (31 December 2020: £154.5m).

The Directors have assessed the Group's financial position and its ability to meet its obligations as and when they fall due. In making the going concern assessment the Directors have taken into account the following:

- The Group's capital structure, operations and liquidity 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 (CAR upsize) of circa £565.0m agreed with the lenders of the Group's privately placed term loan facility due 2026 (see Business Review: Liquidity and Capital Resources), of which £164.3m remains undrawn at the date of this report. These are reflected in the adjusted base case and stressed cash flow forecasts over the calendar years 2022 and 2023.
- The impact on the 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 residual 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 two months ended February 2022, with continued positive financial results.

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Basis of preparation

Key assumptions that the Directors have made in preparing the 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 2021 trading performance continues to demonstrate resilience across the Group.

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

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

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

The Directors continue to consider the wider operational consequences and ramifications of global political tensions (including related to the Ukrainian conflict) and residual impacts from 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 Covid-19 developments remain fluid, the stress testing demonstrates the Group's financial resilience and operating flexibility.

Following the assessment of the 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 businesses of the Group's ability to continue as a going concern.

3 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year with the exception of new standards effective from 1 January 2021 as described in 'Application of new and revised International Financial Reporting Standards' (section (r) below). Additional accounting policies have been incorporated in 2021 as necessary as a result of transactions and acquisitions during the year.

(a) Basis of consolidation

The Group consolidates those investees that it is deemed to control, referred to as subsidiaries. The Group has control over an investee if all three of the following are met: (i) it has power over the investee, (ii) it is exposed to, or has rights to, variable returns from its involvement with the investee, and (iii) it has ability to use its power over the investee to affect the amount of its own returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group. The assets, liabilities, profits and losses of the subsidiary are added line by line to those of the Group.

Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Accounting for business combinations

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities assumed and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, and liabilities and contingent liabilities assumed, in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

Acquisition-related costs, except costs to issue debt or equity securities, are expensed as incurred.

If a business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Some acquisitions involve a put and/or call option. A put option gives the seller the right to require the Group to acquire its shareholdings in the acquiree at a future date. A call option gives the Group the right to require the seller to sell its shareholdings in the acquiree to the Group. The put and/or call options are usually exercisable within specified time periods. The exercise price of the options is usually based on a multiple of EBITDA, net of the net debt of the acquiree for the financial year that immediately precedes the financial year in which the option is exercised. The Group recognises a financial liability where there is a put option, at an amount corresponding to the present value of the option price (the redemption amount), and that liability is classified as 'Share buyout' in the financial statements.

Subsequent changes to the fair value of deferred consideration, contingent consideration or the share buyout balance are recognised in accordance with IFRS 9 'Financial Instruments' in profit or loss, unless the changes occur during the 'measurement period' of up to one year following the acquisition date and are the result of additional information that the acquirer has obtained after the acquisition date about facts and circumstances that existed at the acquisition date. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

3 Accounting policies *(continued)*

Disposal of subsidiaries
Where the Group disposes of its controlling interest in a subsidiary, the assets and liabilities are derecognised along with any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Goodwill
Goodwill is initially measured as the excess of the fair value of the consideration transferred and of the non-controlling interest over the fair value of the net of the identifiable assets acquired and liabilities assumed. If goodwill is negative (i.e. a shortfall instead of an excess), it is recognised in profit or loss.

Goodwill acquired in the period represents expected synergies from combining operations of the acquiree and the Group, and intangible assets that do not qualify for separate recognition.

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash generating units for the purposes of impairment testing.

Transactions with non-controlling interests
Transactions with non-controlling interests that do not result in the loss of control are accounted for as equity transactions.

(b) Investments in associates and joint ventures

Associates
An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control nor joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements as a single line in each of the statement of financial position and the statement of profit or loss using the equity method of accounting. The consolidated statement of financial position therefore includes investment in associates measured at cost as adjusted for post-acquisition changes in the Group's economic share of the net assets of the associate, less any impairment in the value of the investment, but the carrying amount cannot fall below zero. The consolidated income statement includes a share of the profit or loss of the associate.

Joint arrangements
The Group applies IFRS 11 'Joint Arrangements' to all joint arrangements. Investments in joint arrangements are, as required by IFRS 11, classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and has determined them to be joint ventures. Joint ventures are accounted for using the equity method, in a similar manner to associates.

3 Accounting policies *(continued)*

(c) Intangible assets

Customer relationships

Customer relationship intangible assets are recognised on a business combination because the acquirer is able to benefit from selling future new business through existing relationships. Their fair value is calculated as the sum of the present value of projected cash flows in excess of returns on contributory assets over the life of the relationship with the customers. These assets are amortised on a straight-line basis over their estimated useful lives of between 5 and 10 years, which is estimated by reference to the history of the relationships and levels of attrition.

Distribution network

Distribution network intangible assets are recognised on a business combination because the acquirer is able to benefit from already established distribution channels. Their fair value is calculated as the sum of the present value of projected future cash flows generated by existing distribution channels. These assets are amortised on a straight-line basis over their estimated useful lives of 10 years, which is estimated by reference to the history of the relationships and levels of attrition.

Brand

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 (unless acquired on a business combination)

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

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

- the technical feasibility of completing the 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 profit or loss in the period in which it is incurred.

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

3 Accounting policies *(continued)*

Intellectual property
Intellectual property assets include a bespoke database and online platform. These assets are amortised on a straight-line basis over their estimated useful life of 4 years.

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

Impairment of assets
Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and 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, disclosed separately on the face of the consolidated income statement.

(d) Depreciation

Assets are stated at their net book value (historical cost less accumulated depreciation). Depreciation is calculated to write off the cost of such assets on a straight-line basis over their estimated useful lives. At the reporting date, the Group's principal rates of depreciation were as follows:

Freehold buildings	- over 50 years (except integral features which are over 20 years)
Leasehold improvements	- over the remaining life of the lease
Furniture and equipment	- over 4 years
Computer equipment	- over 4 years
Fixtures and fittings	- over 4 years
Motor vehicles	- over 4 years

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

3 Accounting policies *(continued)*

(e) Leases

The Group accounts for lease and non-lease components in a contract as a single lease component.

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

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the 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 Group 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 it is 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 Group elects on a lease-by-lease basis whether to apply the lease of low-value assets exemption to non-property leases that are considered to be of low value (i.e. below £5,000). Where the exemption is applied, 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.

3 Accounting policies *(continued)*

(f) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

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

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

Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group 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

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

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

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

3 Accounting policies *(continued)*

Financial assets classified as amortised cost

Financial assets that meet 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 Group's financial assets measured at amortised cost include trade and other receivables (except for certain other receivables measured at FVTPL, see below), advances to related parties, cash and cash equivalents and certain other financial assets.

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

Insurance brokers act as agents in placing the insurable risks of their clients with insurers and, as such, are not usually liable as principal for amounts arising from such transactions. In recognition of this relationship, debtors from insurance broking transactions are not, in general, included as an asset of the Group. Other than the receivable for fees and commissions earned on a transaction, recognition of the insurance transaction does not, in general, occur until the Group receives cash in respect of premiums or claims, at which time a corresponding liability is established in favour of the insurer or the client. An exception exists in relation to funded premium and claim items whereby the Group has a legal obligation to make good any shortfall to client monies in the event of default.

In certain circumstances, the Group advances premiums, refunds or claims to insurers or clients prior to collection. These advances are reflected in the consolidated statement of financial position as part of trade receivables.

Financial assets classified as FVTOCI

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

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

The Group has designated all of its unlisted equity investments as at FVTOCI, because these investments were on initial recognition held as long-term strategic investments that are not expected to be sold in the short to medium term.

3 Accounting policies *(continued)*

Financial assets classified as FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as FVTPL, unless the Group designates an equity investment as FVTOCI on initial recognition.
- Debt instruments (including receivables) that do not meet the amortised cost criteria or the FVTOCI criteria are classified as FVTPL.

Financial assets classified as FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss to the extent they are not part of a designated hedging relationship.

The Group's Unregulated Collective Investment Scheme (UCIS) assets are classified as FVTPL. These assets do not meet the IFRS 9 'Financial Instruments' criteria for classification as amortised cost or FVTOCI, because their cashflows do not represent solely payments of principal and interest. The Group has not designated any debt investments that meet the amortised cost or FVTOCI criteria as being measured at FVTPL.

Other financial assets measured at FVTPL include convertible loan receivables, and receivables recognised on a business combination in relation to the Group's right to variable consideration on rolling contracts with customers for which the performance obligation was satisfied prior to the acquisition. These financial assets are not classified as amortised cost or FVTOCI because their cash flows do not represent solely payments of principal and interest.

Foreign exchange gains and losses

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

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

Reclassifications

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

Impairment of financial assets

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

The Group 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 Group'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 Group'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 Group 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 Group measures the loss allowance for that financial instrument at an amount equal to 12 months ECL.

3 Accounting policies *(continued)*

The Group 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 Group 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 Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

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

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

Definition of default

The Group 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 Group, in full.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a longer or shorter default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession that the lender(s) would not otherwise consider;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of the financial difficulties.

Write-off policy

The Group 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 Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

3 Accounting policies *(continued)*

Classification and subsequent measurement of financial liabilities
All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities are classified and measured as FVTPL when (i) the financial liability is deferred consideration, contingent consideration or a share buyout balance relating to a business combination to which IFRS 3 applies, or (ii) it is a derivative.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities.

For financial liabilities that are denominated in a foreign currency that are not part of a designated hedging relationship, the foreign exchange gains and losses are recognised in profit or loss.

The Group's financial liabilities include borrowings, trade and other payables, derivatives, deferred consideration, contingent consideration and a share buyout balance.

Borrowings
Borrowings are classified as current liabilities unless the Group 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 transaction costs incurred. They are subsequently measured at amortised cost using the effective interest rate method.

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

Derivative financial instruments
Derivative financial instruments are initially recognised at fair value and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 26 hedge accounting. Movements in the cash flow hedging reserve in shareholders' equity are included in the consolidated statement of changes in equity.

Deferred consideration, contingent consideration and share buyout balance
The Group is party to consideration arrangements in the form of deferred consideration, contingent consideration and a share buyout balance. Deferred consideration represents fixed or determinable amounts payable at a specified date in the future. Contingent consideration is consideration that is contingent on a future event, usually the future performance of the acquired business. Share buyout arises as a result of put options held by minority shareholders of acquired businesses. These liabilities are recognised initially at their discounted present value and are remeasured at each reporting date. The discount unwind and the remeasurement of these liabilities are recognised in profit or loss as finance cost.

3 Accounting policies *(continued)*

Cash flow hedges

The Group enters into forward contracts to manage its exposure to foreign exchange rate risks. The Group also enters into interest rate swaps to manage its exposure to interest rate risks. The Group designates these derivatives as cash flow hedges, being hedges of a particular risk associated with the cash flows of recognised liabilities and highly probable forecast transactions.

At the inception of such hedging transactions the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of derivative instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in finance costs for the derivatives that hedge borrowings and in other operating costs for the derivatives that hedge revenue.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, included in the same line as that which the hedged item affects.

Furthermore, if the Group expects that some or all of the loss accumulated in other comprehensive income will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is reclassified to profit or loss when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

3 Accounting policies *(continued)*

Derivatives hedging borrowings

The Group's risk management policy is to hedge its foreign currency exposure to its USD denominated borrowings, where there is no offsetting foreign currency exposure from its investments funded by those borrowings.

For the cross currency swaps (before they were all settled in 2020) and the forward contracts hedging borrowings, the Group separates the foreign currency basis spread and forward points from the derivative and excludes it from the designation of that financial instrument as the hedging instrument. The fair value changes in the currency basis spread and forward points are separately accounted for as a cost of hedging in other comprehensive income and recognised in the costs of hedging reserve within equity. Such costs of hedging are amortised (i.e. reclassified to profit or loss) over the life of the hedged borrowings (or when the hedge is de-designated). The treatment for the currency basis element and forward points is optional and the option is applied on a hedge by hedge basis.

The Group uses the hypothetical derivative method to determine the changes in fair value of the hedged item. The Group assesses hedge effectiveness by comparing the changes in fair value of a hypothetical derivative reflecting the terms of the foreign currency debt security issued due to movements in the foreign currency rate with the changes in fair value of the derivatives used to hedge the exposure.

The Group determines the hedge ratio by comparing the notional of the derivatives with the principal of the debt securities issued. The Group has identified the following possible sources of ineffectiveness in these cash flow hedge relationships:

- The use of cross currency derivatives and forward contracts as a protection against currency risk creates an exposure to the derivative counterparty's credit risk which is not offset by the hedged item. This risk is minimised by entering into contracts with high credit quality counterparties;
- The use of different discounting curves for the hedged item and the hedging instrument, because for the derivatives the discounting curve used depends on collateralisation and the type of collateral used; and
- Designation of off-market hedging instruments.

No other sources of ineffectiveness affected these hedge relationships. The Group has not designated any net positions as hedged items on cash flow hedges of foreign currency risk.

Derivatives hedging revenue

The Group's risk management policy is to hedge 80%, 65% and 50% of its estimated foreign currency exposure in respect of forecast revenue (except where offset by foreign currency costs) over the following 12, 24 and 36 months respectively. Hedges mature monthly and new hedges are added on a rolling quarterly basis.

The Group's policy is for the critical terms of the forward contracts to align with the hedged item. The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:

- The effect of the counterparty and the Group's own credit risk on the fair value of the forward contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates;
- The use of different discounting curves for the hedged item and the hedging instrument, because for the derivatives the discounting curve used depends on collateralisation and the type of collateral used; and
- Changes in the timing of the hedged transactions.

For the forward contracts hedging revenue, the Group designates the entire hedging instrument (i.e. the currency forward inclusive of the forward element). Given the size of the notional, tenure and currency pairs involved in the currency forwards, the forward points are not considered to be significant enough to warrant separation as costs of hedging and so are included in the measurement of the hedged item.

3 Accounting policies *(continued)*

Finance income and finance costs
The Group's finance income and finance costs include:

- Interest income
- Interest expense
- Interest on defined benefit pension schemes
- Unwind of discount on provisions
- Unwind of discount on financial assets or liabilities, including on lease liabilities and lease receivables
- Unwind of discount and fair value remeasurement of deferred consideration, contingent consideration and the share buyout balance
- The net gain or loss reclassified from other comprehensive income to profit or loss in relation to derivatives hedging borrowings
- Gains and losses on convertible loan receivables

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

(g) Provisions for liabilities and charges

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 Group discounts provisions to their present value. The unwinding of the provision discounting is included as an interest charge within finance costs in the income statement.

(h) Share capital

Ordinary shares are classified as equity, as are preference shares if the holder does not have a put option and if any dividends or redemption date can be deferred indefinitely. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(i) Revenue

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

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

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

3 Accounting policies *(continued)*

Post-placement performance obligations

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

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

Variable consideration

The Group is a party to the following material arrangements where the consideration receivable by the Group is variable:

- *Trading deals – profit share arrangements and loss corridor arrangements:*
  Trading deals are arrangements with insurers which include incentives and penalties based on the performance of the book of business. Revenue related to these arrangements is recognised on a best estimate basis, only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur (a constraint).

  Under some of these arrangements (e.g. profit share arrangements), an additional commission is earned from the insurer based on the profit from the underlying book of business or the volume of policies placed. The estimated additional commission is recognised as a contract asset and is reclassified to trade and other receivables when the underlying results are determined. Some of the additional commissions may be provided in advance, in which case they can be subject to a clawback. Advanced commission is recognised as a contract liability until the Group satisfies the underlying performance obligations.

  Under loss corridor arrangements, the commission received by the Group is subject to a clawback if a set loss ratio exceeds an agreed threshold. When the threshold is exceeded, a payment calculated as a percentage of the loss (between 1% and 4% of the loss) is due to the insurer up to a maximum. Expected clawbacks under loss corridor arrangements are recognised in trade and other payables.

  Payment terms of the above arrangements vary across the Group and depend on the specific agreement with the insurer. Because of the time required for policies to earn out and for claims to mature, final settlement of profit share and loss corridor arrangements may take up to 2-3 years from the point at which the Group places a policy (i.e. satisfies its performance obligation).

- *Cancellation rights:*
  Some contracts with customers include cancellation rights, whereby the consideration receivable by the Group is subject to a clawback. If no claims are made under the policy, then cancellations usually entitle the policyholder to a proportional refund of the consideration. When the effect is material, the Group adjusts the estimated consideration for the expected clawback based on historical experience of average cancellations and recognises revenue only on the amount that is not expected to be refunded. The Group reassesses at the end of the reporting period whether the estimated clawback needs to be revisited. Amounts that are expected to be refunded for consideration that has been received or invoiced are recognised in trade and other payables.

- *Rolling contracts:*
  Some policies placed by the Group are rolling until the customer cancels the policy. Revenue recognised on rolling contracts (based on the expected consideration net of cancellations) is presented in contract assets until the consideration is invoiced (except where acquired as part of a business combination, in which case it is presented in trade and other receivables as a financial asset measured at fair value).

3 Accounting policies *(continued)*

Other income
Other income includes;

- Fair value gains and losses on financial assets at FVTPL that are recognised on a business combination in relation to the Group's right to variable consideration on rolling contracts with customers for which the performance obligation was satisfied prior to the acquisition.
- Rent receivable and service charges receivable in respect of sub-let properties.
- Profit on termination of leases.

(j) Contract costs

Contract costs give rise to assets recognised in accordance with IFRS 15 which consist of:

- Costs to fulfil – salary and other costs of customer-facing employees who undertake activities necessary to satisfy anticipated contracts with the customer. The Group estimates the proportion of costs that are eligible to be capitalised based on the time spent by customer-facing employees on relevant inception/renewal activities. Capitalised costs are released to profit or loss on inception or renewal of the contract with the customer, which normally takes place within one to three months of the reporting period.
- Costs to obtain – incremental fees paid to distributors (usually aggregator websites) for obtaining new business. These costs are amortised, on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates, over the average life of the relationship with the customer.

The Group utilises the practical expedient to recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

Contract costs are presented within 'other assets' when recognised in the statement of financial position.

(k) Operating segments

Under IFRS 8 'Operating Segments', the Group determines and presents operating segments based on the information that is reviewed by the Group Executive Committee, which is the Group's chief operating decision maker. The operating segments reflect the Group's operational structure. Segments are reviewed and revised as necessary following structural changes within the Group or acquisitions of new companies.

(l) Employee benefits

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

The Group has no legal or constructive obligations to pay further contributions.

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

3 Accounting policies *(continued)*

Long-Term Incentive Plans

The Group operates a number of Long-Term Incentive Plans (LTIPs), under which the Group receives services from employees as consideration for cash settled incentives which vest over a number of years based on achievement against certain performance measures and/or service conditions. The incentives are earned by participants in the relevant performance and/or service period (the performance period) and they must remain in employment in order to be entitled to payment.

The Group recognises an expense in respect of LTIPs over the vesting period, which is deemed to commence when the Group makes participants aware of their right to participate in the LTIP and ends on conclusion of the performance period.

Where an LTIP is payable in instalments the Group recognises an expense based on either (i) the staged vesting approach, or (ii) the plan's benefit formula, depending on the specific facts and circumstances of the relevant award. Where benefits are materially higher in later years the expense is recognised on a straight-line basis over the vesting period.

At the end of each reporting period the Group revises its estimate of the expected pay-out, and it recognises the impact of the revision to the original estimate, if any, in the income statement with a corresponding adjustment to the related accrual or prepayment (there can be a prepayment if an interim payment has been made subject to a clawback period) as relevant.

Defined benefit pension arrangements

The Group has some defined benefit arrangements as a result of an acquisition made in 2021. The cost of providing benefits for these schemes is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period.

Remeasurements comprising actuarial gains and losses, and the return on plan assets (excluding interest income), including the tax thereon, are recognised immediately in the statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income are not reclassified. Current service costs are recognised in profit or loss within salaries and associated expenses, as are any past service costs such as those arising from curtailments or settlements. Gains or losses on settlement of a defined benefit plan are recognised when the settlement occurs. Interest is calculated by applying a discount rate to the net defined benefit liability or asset and is recognised within finance costs (note 8). Defined benefit costs are split into three categories:

- Service costs, which includes current service cost and past service cost; and
- Interest on the pension obligation; and
- Remeasurement of net pension obligation, which includes:
  - The impact on the liabilities of changes in financial assumptions, which are based on market conditions at the reporting date, and demographic assumptions, such as life expectancy, compared with those adopted at the start of the year; and
  - The impact on the liabilities of actual experience being different to assumptions made at the start of the year; and
  - The return on plan assets above or below the interest income on those plan assets.

The net pension obligation (or pension surplus) recognised in the consolidated statement of financial position represents the deficit (or surplus) in a defined benefit plan. Any surplus is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

3 Accounting policies *(continued)*

Share-based payments
The Group operates equity-settled and cash-settled share-based payment schemes. For equity-settled share-based payment schemes, the fair value of the services received in exchange for the grant of the shares is recognised as an expense, measured based on the grant date fair value of the shares and recognised on a straight-line basis over the vesting period, which generally depends on service and performance conditions being met. For cash-settled share-based payment schemes, the Group recognises an expense and a corresponding liability over the vesting period based on the fair value of the shares at the reporting date.

The shares issued under the schemes generally have no dividend or voting rights and cannot be sold. The shares of an equity-settled share-based payment scheme are normally convertible to ordinary shares of the Group on the occurrence of a crystallisation event, being the earlier of a liquidity event, an Initial Public Offering (IPO) and a winding-up. The Group has the option to repurchase the shares if an employee leaves the Group prior to the occurrence of a crystallisation event.

(m) Foreign currencies

The Group's consolidated financial statements are presented in GBP, the Group's presentation currency.

Foreign currency transactions and balances
Foreign currency transactions are converted into the functional currency of the respective Group entity, using the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are converted into GBP using the exchange rate at the reporting date, with differences recognised in profit or loss.

Non-monetary items are not retranslated at the reporting date and are measured at the historical rate (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Profits or losses arising from derivatives taken out to hedge foreign currency exposure are recognised in the income statement unless such contracts are designated as cash flow hedges, in which case they are accounted for as described above in (f) Cash flow hedges.

Foreign operations
On consolidation, the results and financial position of foreign subsidiaries and branches are translated into the presentation currency of the Group from their functional currencies, i.e. the currency of the primary economic environment in which the entity operates. Assets and liabilities of foreign subsidiaries and branches are translated into GBP at the exchange rate at the reporting date. Income and expenses are translated into GBP at average exchange rates. The impact of these currency translations is recorded in other comprehensive income and recognised in the foreign currency translation reserve in equity.

(n) Taxation

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

Deferred tax
Deferred tax is recognised in respect of taxable temporary 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 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 on the same taxable entity or on different taxable entities which intend to settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously.

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

3 Accounting policies *(continued)*

(o) Dividend distribution

Dividends proposed or declared after the statement of financial position date are not recognised as a liability at the reporting date. Final dividends are recognised as a charge to equity once approved, and interim dividends are recognised once paid.

(p) Discontinued operations

A disposal group qualifies as a discontinued operation if it is a component of an entity (which will have been a cash-generating unit or group of cash-generating units) that either has been disposed of, or it is classified as held for sale, and:

- it represents a separate major line of business or geographical area of operations; or
- it is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- it is a subsidiary acquired exclusively with a view to resale.

Discontinued operations, if there are any, are excluded from the results of continuing operations and are presented as a single amount in 'total comprehensive profit or loss for the period attributable to discontinued operations' in the income statement.

(q) Held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, intangible assets, property, plant and equipment and right-of-use assets are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

(r) Application of new and revised International Financial Reporting Standards (IFRS)

The Group adopted the 'Amendments to IFRS 9, and IFRS 7 Interest Rate Benchmark Reform' issued in September 2019 and effective from 1 January 2020. The amendments provide temporary relief from some of the conditions for applying hedge accounting requirements to hedging relationships directly affected by IBOR reform.

The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness is to be recorded in the income statement. The amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

The Group also adopted the 'Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform—Phase 2, issued in August 2020 and effective from 1 January 2021'. The phase 2 amendments address issues arising during interest rate benchmark reform, including specifying when the 'phase 1' amendments will cease to apply, when hedge designations and documentation should be updated, and when hedges of the alternative benchmark rate as the hedged risk are permitted.

The impact on the Group's financial statements of other amendments to accounting standards that have become effective in the year beginning 1 January 2021 is not material.

Other standards, amendments to standards and interpretations
Several amendments to standards are mandatorily effective for annual periods beginning on 1 January 2021. None of these had a material effect on the Group's financial statements.

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

4 Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying accounting policies

E Preference shares – equity classification

The Company issued 350,000 E preference shares ('E shares') of nominal value £0.01 each to a shareholder on 3 September, for a subscription amount of £343.0m. The E shares accumulate dividends semi-annually in arrears on 30 June and 31 December, which are deferred and not declared unless the Company, the issuer, elects to pay them in cash. The dividends accumulate based on a 360-day year at a rate of 12.5% per annum, or at a rate of 11.5% per annum for the relevant accumulation period if the Company elects to declare and pay the dividend rather than to defer and thus not declare nor pay it. The E shares have no maturity date, but they are redeemable at any time at the option of the Company. The E shares are classified as equity as there is no contractual obligation to pay a dividend or interest, there is no contractual obligation to redeem them, and the holder of the E shares does not have a put option over them. The declaration and payment of dividends and the redemption of the E shares are all at the option of the Company.

Key sources of estimation uncertainty

Deferred tax assets

Significant estimation 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 profits 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 at the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

The deferred tax asset as at 31 December 2021 is £95.3m (2020: £60.6m).

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

Revenue recognition – variable consideration

The Group is a party to trading deals, such as profit sharing and loss corridor arrangements. These arrangements adjust the consideration that the Group is entitled to for satisfying its performance obligations, and the amount and timing of revenue subject to these arrangements is inherently uncertain.

The Group applies judgement in estimating the related variable consideration, which is measured on a best estimate basis using either the 'expected value' method or the 'most likely amount' method, and which is recognised to the extent that a significant reversal will not occur (a constraint).

In making the estimate, the Group uses historical, current and forecast information that is reasonably available to it. A higher constraint (in some cases, full constraint) is applied when the results underlying these arrangements are highly susceptible to factors outside the Group's influence or when the Group's experience has limited predictive value.

Estimates of the variable consideration are assessed at the end of each reporting period to determine whether they need to be revised. The underwriting results are reviewed by the Group and the insurer on a regular basis, and information provided by the insurer is used to refine the estimated amount of consideration. As the underwriting results become more certain, the constraint is relaxed.

As at 31 December 2021, a loss corridor liability of £4.2m (2020: £5.0m) is included within trade and other payables and a variable profit commission of £18.5m (2020: £6.8m) is included within contract assets.

Fair value gains and losses on financial assets at FVTPL are recognised on a business combination in relation to the Group's right to variable consideration on rolling contracts with customers for which the performance obligation was satisfied prior to the acquisition. The fair value of the Swinton rolling contract (a closed book of business) is a level 3 valuation, in accordance with IFRS 13 'Fair Value Measurement', the key assumptions of which are (a) the product lifetime restrictions of 12, 24 and 36 months for the Home Emergency Cover, Swinton Breakdown Insurance, and Personal Accident products, (b) the discount rate, which is based on the Ardonagh weighted average cost of capital (WACC), and (c) the lapse rate curves, which are estimated based on historical experience. A one-year increase in the product lifetime restrictions across all three products would give rise to a £0.2m increase in other income in 2021. A 1% increase in the discount rate would give rise to a £5.9m decrease in other income in 2021. The financial asset corresponding to the Swinton rolling contract is £26.0m as at 31 December 2021 (2020: £24.8m).

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

Impairment of assets

The Group tests annually whether goodwill and other assets that have indefinite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may exceed its recoverable amount. The last annual impairment test was performed as at 1 October 2021.

An impairment test of an asset or cash-generating unit (or group of cash-generating units) is performed by comparing its carrying amount with its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use, where its value in use 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 Adjusted EBITDA multiple.

Goodwill arising from a new business combination is, for the purposes of impairment testing, allocated to those cash-generating units that are expected to benefit from the goodwill that was acquired. Impairment testing is performed at the level of the smallest groups of cash-generating units at which goodwill is monitored, known as the "divisions".

Forecast cash flows used in the value in use calculation were determined by considering historic business performance, by overlaying it with assumptions to reflect areas where growth or income improvement was expected, and by taking into account the expected results of cost management programmes to which the Group was committed. These forecasts were extrapolated to subsequent years using a steady growth rate being the CPI inflation rate of 1.9% (2020: 1.7%), and a terminal value was calculated using the perpetual growth model. The discount rate of 9.67% (2020: 9.84%) that was applied to the forecasts was a market participant weighted average cost of capital calculated by reference to the Capital Asset Pricing Model.

The fair value of the Group was calculated based on multiples of forecast 2021 Adjusted EBITDA and on information provided by external advisors, where that information is based on recent transactions in the insurance broking industry. The fair value of a division was estimated by apportioning the fair value of the Group between the divisions based on the value in use of each division. The estimated costs of disposal are assumed, based on market experience, to be 1.5% of the fair value of the division.

5 Segmental analysis

Descriptions of the Group's operating segments can be found in Section 1 – Our businesses.

Under IFRS 8 'Operating Segments', the Group determines and presents operating segments based on the information that is provided to the Group Executive Committee, which is the Group's chief operating decision maker.

Segments are reviewed and revised as necessary following structural changes within the Group or acquisitions of new companies.

The Group Executive Committee assesses the performance of the operating segments based on an Adjusted EBITDA measure. The presentation of the segment information reflects that. The Group Executive Committee assesses the financial position of the Group on a consolidated Group basis and therefore does not regularly receive measures of total assets or total liabilities on an operating segment basis. Accordingly, no financial position measures are reported within the Group's segmental analysis.

The results include items directly attributable to an operating segment as well as those that can be allocated on a reasonable basis.

Commission and fees represent the Group's revenue from contracts with customers, which is recognised in accordance with IFRS 15. The Group's operating segments reflect its disaggregation of revenue.

5 Segmental analysis *(continued)*

31 December 2021	Ardonagh Retail £000	Ardonagh Advisory £000	Ardonagh Specialty £000	Ardonagh International £000	Corporate £000	Total £000
Commission and fees	244,454	352,772	231,115	86,940	164	915,445
Other income	21,169	2,107	1,034	619	-	24,929
Investment income	1	-	17	103	6	127
Salaries and associated costs	(74,745)	(161,607)	(139,835)	(38,035)	(32,487)	(446,709)
Other operating costs	(89,092)	(84,397)	(59,934)	(27,172)	(4,267)	(264,862)
Impairment of financial assets	(5,147)	(849)	670	(79)	(4,661)	(10,066)
Depreciation, amortisation and impairment of non-financial assets	(31,960)	(42,012)	(26,342)	(15,633)	(1,500)	(117,447)
Share of profit from joint venture	1,080	-	71	-	-	1,151
Share of profit from associate	-	-	246	-	-	246
Operating profit/(loss)	65,760	66,014	7,042	6,743	(42,745)	102,814
Gain on revaluation of associate and investments	-	-	1,972	-	-	1,972
Finance costs	(1,741)	(641)	(1,287)	(6,877)	(194,000)	(204,546)
Finance income/(expense)	4	(205)	266	5,251	18	5,334
Profit/(loss) before tax	64,023	65,168	7,993	5,117	(236,727)	(94,426)
Tax credit						22,537
Loss for the year						(71,889)
Finance costs						204,546
Tax credit						(22,537)
Depreciation, amortisation and impairment of non-financial assets						117,447
Profit from disposal of assets						(40)
Foreign exchange movements						(3,127)
Transformational hires						4,609
Business transformation costs						32,061
Legacy costs						(269)
Other costs						19,099
Regulatory costs						8,541
Acquisition and financing costs						33,806
Gain on revaluation of associate and investments						(1,972)
Adjusted EBITDA						320,275

5 Segmental analysis *(continued)*

31 December 2020	Ardonagh Retail £000	Ardonagh Advisory £000	Ardonagh Specialty £000	Ardonagh International £000	Corporate £000	Total £000
Commission and fees	224,252	275,591	166,301	21,937	1,002	689,083
Other income	20,283	880	1,537	-	4	22,704
Investment income	13	2	472	-	300	787
Salaries and associated costs	(74,226)	(136,100)	(102,523)	(10,217)	(22,447)	(345,513)
Other operating costs	(70,624)	(68,386)	(49,988)	(3,927)	(13,467)	(206,392)
Impairment of financial assets	(10,637)	(150)	261	(45)	252	(10,319)
Depreciation, amortisation and impairment of non-financial assets	(30,222)	(30,454)	(27,222)	(3,989)	(4,290)	(96,177)
Fair value loss on derivatives	-	-	-	-	(2,136)	(2,136)
Share of profit from joint venture	1,417	-	-	-	-	1,417
Share of profit from associate	-	-	608	-	-	608
Operating profit/(loss)	60,256	41,383	(10,554)	3,759	(40,783)	54,062
(Loss)/gain on disposal of subsidiary or business	-	(1,827)	162	-	-	(1,665)
Finance costs	(1,744)	(1,033)	(1,896)	(185)	(230,971)	(235,829)
Finance income	66	611	296	-	245	1,218
Profit/(loss) before tax	58,578	39,134	(11,992)	3,574	(271,510)	(182,214)
Tax charge						(17,212)
Loss for the year						(199,426)
Finance costs						235,829
Tax charge						17,212
Depreciation, amortisation and impairment of non-financial assets						96,177
Loss on disposal of non-financial assets						5,648
Foreign exchange movements						3,009
Transformational hires						4,028
Business transformation costs						27,678
Legacy costs						8,396
Other costs						8,651
Regulatory costs						8,550
Acquisition and financing costs						8,713
Loss on disposal of business						1,665
Adjusted EBITDA						226,130

5 Segmental analysis *(continued)*

Revenue from external customers has been identified based on the location of the insured for insurance business and the location of the reinsurance company for reinsurance business.

The Group's revenue disaggregated by primary geographical markets is as follows:

	31 December 2021 £000	31 December *2020* £000
United Kingdom	**684,470**	576,573
Europe	**83,251**	31,379
North America	**111,240**	71,433
Other countries	**61,413**	32,402
	940,374	711,787

The Group's non-current assets by geographical region have not been disclosed as this information is not readily available.

6 Profit or loss items

The following items have been charged/(credited) in arriving at the operating profit:

	31 December 2021 £000	31 December 2020 £000
Amortisation of intangible fixed assets		
Software costs	**18,468**	17,318
Other intangible assets	**78,085**	59,108
Depreciation on property, plant and equipment	**8,994**	10,077
Depreciation of right-of-use assets	**11,900**	9,686
Impairment of right-of-use assets	-	(12)
	117,447	96,177

7 Investment income

	31 December 2021 £000	31 December 2020 £000
Interest income – fiduciary funds	**127**	787
	127	787

The Group's investment income arises from its holdings of cash and investments relating to fiduciary funds. Equivalent average cash and investment balances during the year amounted to £377.0m (2020: £337.2m) which were denominated principally in GBP. The average return for 2021 was 0.04% (2020: 0.23%).

8 Finance income and finance costs

	31 December 2021 £000	31 December 2020 £000
Financial assets measured at amortised cost		
Interest income – own funds	**203**	536
Interest income – discount unwind	**199**	74
Interest income – other	**2,001**	608
Financial liabilities measured at amortised cost		
Unwind of transaction costs and discount on financial liabilities	**(19,076)**	(10,112)
Interest expense - bank and other borrowings*	**(217,389)**	(136,920)
Interest expense - commitment and other fees	**(1,140)**	(1,515)
Interest expense - other loans	**(2,198)**	(563)
Interest on premium financing liabilities	-	(223)
Remeasurement of borrowings due to early repayment	-	(82,206)
Modification gain on amendment to borrowings	**44,158**	-
Other finance income/(costs)		
Interest income - convertible loan receivable	**2,733**	-
Amounts reclassified from the cash flow hedging reserve	**(758)**	(2,754)
Amortisation of costs of hedging	**(1,460)**	(1,163)
Early termination of hedges	-	4,281
Write off of deferred consideration	-	841
Changes to share buyout liability	**(3,363)**	-
Changes to contingent consideration liability	**2,615**	-
Effective interest on lease liabilities	**(5,783)**	(5,757)
Hedge ineffectiveness	**80**	261
Unwind of discount on provisions	**(35)**	1
Net interest on defined benefit pension schemes	**1**	-
Net finance costs	**(199,212)**	(234,611)
Analysed as:		
Finance income	**5,334**	1,218
Finance costs	**(204,546)**	(235,829)
Net finance costs	**(199,212)**	(234,611)

* The £217.4m (2020: £136.4m) interest expense on bank and other borrowings includes foreign currency translation differences arising on the borrowings and, when it is considered together with the £0.8m (2020: £3.3m) amount reclassified from the cash flow hedging reserve for derivatives as a result of applying hedge accounting, the resulting interest expense on bank and other borrowings is determined to be £218.1m (2020: £139.2m).

8 Finance income and finance costs *(continued)*

During the year, the coupon interest expense on the Group's debt totalled £211.6m (31 December 2020: £135.7m). A further £19.1m, (31 December 2020: £10.1m) of interest expense was recognised during the year relating to the unwind of the discount on these instruments as part of accounting for them at amortised cost using the effective interest rate.

There was an amendment to the terms of the term facilities due 2026 debt arrangements on 19 August 2021, reducing the margin on the term facilities due 2026 by 0.25% to the nominal interest rates set out in note 29 and removing the PIK option from these facilities. This was accounted for as a modification as the cash flows of the amended debt compared to the remaining cash flows of the original debt were, when both were discounted using the original effective interest rate, less than 10% different, such that it was concluded that the amendment did not constitute a substantial change to the debt arrangements. A £20.7m modification gain has been recognised in the income statement, within finance costs, and the carrying amount of the debt has been adjusted accordingly.

On 18 November 2021, the margins on the term facility due 2026 were further reduced by 0.50% due to change to the consolidated senior net leverage ratio. This reduction is not a change in market interest rates (it is specific to the Group) and thus has been accounted for by adjusting the carrying amount of the debt to reflect the revised estimated cash flows using the original effective interest rate. A £23.4m gain has been recognised in the income statement, within finance costs.

9 Employee information

Salaries and associated expenses

	31 December 2021 £000	31 December 2020 £000
Wages and salaries	**384,131**	297,325
Share-based payment costs	**7,379**	3,261
Social security costs	**37,649**	31,070
Other pension costs	**17,550**	13,857
	446,709	345,513

Analysis of employees

Average monthly number of Group employees during the year	**31 December 2021**	31 December 2020
Administration	**3,355**	2,838
Sales	**3,969**	3,601
Management	**863**	528
	8,187	6,967

Key management compensation

Key management personnel are defined as senior management and the Board. Their compensation during the year was as follows:

	31 December 2021 £000	31 December 2020 £000
Fees, salaries and other short-term benefits	**8,475**	8,240
Share-based payment costs	**328**	520
Post-employment benefits	**1**	1
	8,804	8,761

9 Employee information *(continued)*

Directors' remuneration

	31 December 2021 £000	31 December 2020 £000
Aggregate emoluments	**3,338**	4,399
	3,338	4,399

The aggregate emoluments of the highest paid Director were £2.0m (2020: £3.1m) and company pension contributions of £nil (2020: £nil) were made to a money purchase pension scheme on their behalf.

For the year ended 31 December 2021, no directors exercised share options (2020: zero) and no directors (2020: 5) were in receipt of share options under long term incentive schemes.

No Directors are accruing retirement benefits in money purchase schemes (2020: zero).

Long-term incentives

See note 3 for the accounting policy for long-term incentive schemes and note 31 for details of the provision recognised in respect of these schemes.

10 Auditor's remuneration

During the year, the Group obtained the following services from the Company's auditor and its associates. The amounts in the table are all exclusive of irrecoverable VAT:

	31 December 2021 £000	31 December 2020 £000
Fees payable for the audit of the parent company and of the consolidated financial statements	**50**	45
Fees payable for other services		
Audit of subsidiaries pursuant to legislation	**3,366**	2,119
Audit related assurance services	**666**	725
Services relating to corporate finance transactions*	**-**	6,557
All other services	**20**	741
	4,102	10,187

* The auditor provided £nil (2020: £6.6m) of other services during the year relating to vendor assistance and due diligence.

11 Disposals and assets held for sale

Disposals

On 17 June 2020 the Group disposed of its controlling interest in its subsidiary Solis Re Agency Inc (Solis Re), which forms part of the Ardonagh Specialty operating segment, reducing its stake from 50.1% to 35.0%. Post disposal the Group holds significant influence over Solis Re and accounts for its investment under the equity method of accounting. As part of the disposal, the Group also exchanged its loans to Solis Re for redeemable preference shares that do not hold any voting rights. The retained investments were recognised at fair value on the date of partial disposal.

On 1 November 2020, the Group sold its Milburn Insurance Brokers business and assets, which was part of the Ardonagh Advisory segment. The consideration received was cash of £0.1m, deferred consideration of £0.3m and contingent consideration with a fair value of £1.8m.

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

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Non-current assets		
Intangible assets	-	4,000
	-	4,000
Current assets		
Trade and other receivables	-	2,389
Cash and cash equivalents	-	31
Right-of-use assets	-	596
Contract assets	-	64
	-	3,080
Current liabilities		
Trade and other payables	-	(1,644)
Lease liabilities	-	(514)
Deferred tax liability	-	(79)
	-	(2,237)
Total net assets	-	4,843
Satisfied by:		
Proceeds - initial and deferred consideration	-	2,132
Investment in associate	-	1,014
Other non-current financial assets (preference shares)	-	920
Non-controlling interest	-	(1,150)
Costs to sell	-	262
	-	3,178
Loss on disposal	-	1,665
Total net assets	-	4,843

11 Disposals and assets held for sale *(continued)*

Details of cash and cash equivalents disposed of are set out in the table below:

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Own funds	-	104
Fiduciary funds	-	(73)
	-	31

Assets held for sale

As at 31 December 2021, the Group classified several freehold and leasehold properties, which form part of the Ardonagh Retail reportable segment, as held for sale.

The figures shown in the table below reflect the carrying amount of the assets and liabilities to be derecognised on disposal. The Group recognised no impairment loss in measuring the assets held for sale as the lower of their carrying amount and their fair value less costs to sell.

31 December 2021	**Swinton Properties £000**	**31 December 2021 £000**
Right-of-use assets	**146**	**146**
Total assets classified as held for sale	**146**	**146**

31 December 2020	Swinton Properties £000	Bennetts Motorcycling Services Limited £000	31 December 2020 £000
Right-of-use assets	146	-	146
Trade and other receivables	-	24,000	24,000
Total assets classified as held for sale	146	24,000	24,146

12 Income and deferred tax

	31 December 2021 £000	31 December 2020 £000
Corporation tax – current year	**(7,515)**	486
Corporation tax – adjustment in respect of prior year	**(2,510)**	(2,243)
Deferred tax – current year	**44,545**	(13,636)
Deferred tax – adjustment in respect of prior year	**(7,279)**	(1,819)
Effect of tax rate change on opening balance	**(4,704)**	-
Income tax credit/(expense)	**22,537**	(17,212)

	31 December 2021 £000	31 December 2020 £000
Items that may be reclassified to profit or loss		
Cash flow hedge reserve		
Income tax on effective portion of changes in fair value	**(2)**	468
Income tax on net amount reclassified to profit or loss	**423**	343
Cost of hedging reserve		
Income tax on net change in fair value due to currency basis spread	**(450)**	1,114
Income tax on net amount reclassified to profit or loss	**(277)**	(221)
Deferred tax through Other Comprehensive Income	**(306)**	1,704

The tax on the Group's loss before tax differs from the theoretical amount that would arise from applying the UK corporation tax rate for the year of 19% (2020: 19%) to the consolidated losses of the Group, as follows:

	31 December 2021 £000	31 December 2020 £000
Loss before taxation on continuing operations	**(94,426)**	(182,214)
Tax calculated at UK corporation tax rate of 19% (2020: 19%)	**17,941**	34,621
Expenses not deductible for tax purposes	**(2,296)**	(7,744)
Effects of income taxed at rates other than the UK corporation tax rate	**(574)**	1,147
Revaluation of brought forward deferred tax assets	**22,670**	(22,632)
Tax losses for which no deferred tax asset is recognised	-	(18,670)
Deferred tax (charge)/credit regarding changes in tax rates or laws	**(4,704)**	128
Tax adjustment in respect of prior years - current tax	**(2,510)**	(4,062)
Tax adjustment in respect of prior years - deferred tax	**(7,279)**	-
Other	**(711)**	-
Income tax credit/(expense) on continuing operations	**22,537**	(17,212)

Future tax impacts

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

13 Intangible assets

The tables below provide a schedule of movements in the carrying amount of intangible assets held on the statement of financial position as at 31 December 2021.

2021 Cost	Goodwill £000	Customer relationships £000	Distribution network £000	Assets under construction £000
Beginning of year	1,278,402	477,372	102,402	8,693
Additions	-	1,733	-	7,740
Business combinations	437,968	301,481	13,829	-
Disposals	-	-	-	(464)
Transfer between classes	-	-	-	(2,871)
Transfer to property, plant and equipment	-	-	-	(127)
Foreign exchange movement	(10,416)	(3,021)	-	-
End of year	**1,705,954**	**777,565**	**116,231**	**12,971**

2021 Cost	Brand £000	Computer software £000	Intellectual property £000	Total £000
Beginning of year	58,925	68,449	2,254	**1,996,497**
Additions	-	8,249	-	**17,722**
Business combinations	27,554	7,205	1,791	**789,828**
Disposals	(94)	(6,016)	-	**(6,574)**
Transfer between classes	-	2,871	-	**-**
Transfer to property, plant and equipment	-	-	-	**(127)**
Foreign exchange movement	(31)	(107)	-	**(13,575)**
End of year	**86,354**	**80,651**	**4,045**	**2,783,771**

During 2021, the Group recognised an additional £4.2m as intangible assets related to internally generated software.

13 Intangible assets *(continued)*

2021 Amortisation	Goodwill £000	Customer relationships £000	Distribution network £000	Assets under construction £000
Beginning of year	86,400	142,649	58,779	-
Charge for year	-	63,181	11,013	-
Disposals	-	-	-	-
Transfer to property, plant and equipment	-	-	-	-
Foreign exchange movement	-	(403)	-	-
End of year	**86,400**	**205,427**	**69,792**	**-**

2021 Amortisation	Brand £000	Computer software £000	Intellectual property £000	Total £000
Beginning of year	35,729	35,895	1,723	**361,175**
Charge for year	2,726	18,468	1,165	**96,553**
Disposals	(94)	(5,828)	-	**(5,922)**
Transfer to property, plant and equipment	-	6	-	**6**
Foreign exchange movement	31	12	-	**(360)**
End of year	**38,392**	**48,553**	**2,888**	**451,452**

2021 Net book value (NBV)	Goodwill £000	Customer relationships £000	Distribution network £000	Assets under construction £000
Cost at end of year	**1,705,954**	**777,565**	**116,231**	**12,971**
Amortisation at end of year	**(86,400)**	**(205,427)**	**(69,792)**	**-**
End of year	**1,619,554**	**572,138**	**46,439**	**12,971**

2021 Net book value (NBV)	Brand £000	Computer software £000	Intellectual property £000	Total £000
Cost at end of year	**86,354**	**80,651**	**4,045**	**2,783,771**
Amortisation at end of year	**(38,392)**	**(48,553)**	**(2,888)**	**(451,452)**
End of year	**47,962**	**32,098**	**1,157**	**2,332,319**

Included within computer software NBV as at 31 December 2021 was internally generated software NBV of £7.7m.

13 Intangible assets *(continued)*

The tables below provide a schedule of movements in the carrying value of intangible assets held on the statement of financial position as at 31 December 2020.

2020 Cost	Goodwill £000	Customer relationships £000	Distribution network £000	Assets under construction £000
Beginning of year	818,889	353,447	102,602	7,705
Additions	-	6,799	-	4,862
Business combinations	465,903	118,186	-	-
Disposals	(3,584)	(217)	(200)	(5,116)
Transfer between classes	-	32	-	1,290
Transfer to property, plant and equipment	-	-	-	(48)
Foreign exchange movement	(2,806)	(875)	-	-
End of year	1,278,402	477,372	102,402	8,693

2020 Cost	Brand £000	Computer software £000	Intellectual property £000	Total £000
Beginning of year	51,673	66,873	2,254	1,403,443
Additions	-	8,263	-	19,924
Business combinations	7,306	1,345	-	592,740
Disposals	-	(6,710)	-	(15,827)
Transfer between classes	-	(1,322)	-	-
Transfer to property, plant and equipment	-	-	-	(48)
Foreign exchange movement	(54)	-	-	(3,735)
End of year	58,925	68,449	2,254	1,996,497

During 2020, the Group recognised an additional £2.0m as intangible assets related to internally generated software.

13 Intangible assets *(continued)*

2020 Amortisation	Goodwill £000	Customer relationships £000	Distribution network £000	Assets under construction £000
Beginning of year	86,400	100,021	48,528	-
Charge for year	-	42,632	10,251	-
Disposals	-	-	-	-
Foreign exchange movement	-	(4)	-	-
End of year	86,400	142,649	58,779	-

2020 Amortisation	Brand £000	Computer software £000	Intellectual property £000	Total £000
Beginning of year	30,067	25,073	1,160	291,249
Charge for year	5,662	17,318	563	76,426
Disposals	-	(6,496)	-	(6,496)
Foreign exchange movement	-	-	-	(4)
End of year	35,729	35,895	1,723	361,175

2020 Net book value (NBV)	Goodwill £000	Customer relationships £000	Distribution network £000	Assets under construction £000
Cost at end of year	1,278,402	477,372	102,402	8,693
Amortisation at end of year	(86,400)	(142,649)	(58,779)	-
End of year	1,192,002	334,723	43,623	8,693

2020 Net book value (NBV)	Brand £000	Computer software £000	Intellectual property £000	Total £000
Cost at end of year	58,925	68,449	2,254	1,996,497
Amortisation at end of year	(35,729)	(35,895)	(1,723)	(361,175)
End of year	23,196	32,554	531	1,635,322

Included within computer software NBV as at 31 December 2020 was internally generated software NBV of £5.8m.

13 Intangible assets *(continued)*

The divisions are the cash generating units ('CGUs') or groups of CGUs of the Group. A summary of goodwill allocated to the divisions is presented in the tables below:

	Goodwill 31 December 2020 £m	**Acquisitions and disposals £m**	**Interdivision reclassifications £m**	**Foreign exchange £m**	**Goodwill 31 December 2021 £m**
Retail	**179**	**30**	**88**	**-**	**297**
Paymentshield	**84**	**-**	**(84)**	**-**	**-**
Advisory	**518**	**59**	**(26)**	**-**	**551**
Schemes & Programmes	**41**	**-**	**(41)**	**-**	**-**
MGA	**81**	**1**	**47**	**-**	**129**
Europe	**181**	**50**	**-**	**(12)**	**219**
Global Partners	**-**	**104**	**-**	**(1)**	**103**
Specialty	**108**	**194**	**16**	**3**	**321**
	1,192	**438**	**-**	**(10)**	**1,620**

During the year, Insurance Broking was renamed Advisory, Arachas was renamed Europe, and Specialty & International was renamed Speciality.

	Goodwill 31 December 2019 £m	Acquisitions and disposals £m	Interdivision reclassifications £m	Foreign exchange £m	Goodwill 31 December 2020 £m
Retail	168	11	-	-	179
Paymentshield	84	-	-	-	84
Insurance Broking	250	239	29	-	518
Schemes & Programmes	69	-	(28)	-	41
MGA	54	28	(1)	-	81
Arachas	-	184	-	(3)	181
Specialty & International	108	-	-	-	108
	733	462	-	(3)	1,192

Interdivision reclassifications arise from the reclassification of goodwill (and results) across divisions. 'Foreign exchange' arises from the retranslation, using the exchange rate at the reporting date, of goodwill that resulted from the acquisition of a foreign operation.

Goodwill is tested for impairment annually, and whenever there is an indication that it may be impaired. The annual impairment test is performed as at 1 October each year. An impairment, if any, that results from that annual impairment test would be reflected in the 31 December financial statements.

Goodwill is, for the purposes of impairment testing, allocated to CGUs or groups of CGUs expected to benefit from the business combination associated with that goodwill, where a CGU is the smallest identifiable group of assets that generate independent cash inflows. Management reviewed business performance, as at 1 October 2021 (and 1 October 2020), based on the CGUs or groups of CGUs that are divisions. The divisions represented the lowest level within the Group at which goodwill was monitored for internal management purposes, so the annual impairment test was performed by reference to the divisions.

13 Intangible assets *(continued)*

An impairment test of goodwill is performed by comparing the carrying amount of each division (i.e. CGU or group of CGUs), including the goodwill, with the recoverable amount of the division. The recoverable amount of a division is the higher of its fair value less costs of disposal ('FVLCD') and its value in use ('VIU'), where the VIU of the division is the present value of its future cash flows. If the recoverable amount of a division is lower than its carrying amount, an impairment loss is recognised.

The impairment test of the divisions as at 1 October 2021 (and 1 October 2020) did not result in an impairment charge to goodwill. The key data is summarised in the following tables:

Table 1	Adjusted goodwill 1 October 2020 £m	Acquisitions and disposals £m	Interdivision reclassifications £m	Foreign Exchange £m	Goodwill 1 October 2021 £m
Retail	179	28	89	-	296
Paymentshield	84	-	(84)	-	-
Advisory	513	62	(26)	-	549
Schemes & Programmes	41	-	(41)	-	-
MGA	81	1	46	-	128
Europe	184	13	-	(10)	187
Global Partners	-	108	-	(1)	107
Specialty	108	5	16	-	129
	1,190	217	-	(11)	1,396

Table 2 1 October 2021	FVLCD £m	VIU £m	Recoverable amount £m
Retail	1,293	1,593	1,593
Advisory	1,837	2,263	2,263
MGA	250	308	308
Europe	326	402	402
Global Partners	414	511	511
Specialty	1,130	1,392	1,392
	5,250	6,469	6,469

Table 3 1 October 2021	Goodwill £m	Carrying amount £m	Recoverable amount £m	Headroom £m
Retail	296	570	1,593	1,023
Advisory	549	888	2,263	1,375
MGA	128	219	308	89
Europe	187	281	402	121
Global Partners	107	193	511	318
Specialty	129	269	1,392	1,123
	1,396	2,420	6,469	4,049

During the year, Insurance Broking was renamed Advisory, Arachas was renamed Europe, and Specialty & International was renamed Specialty.

13 Intangible assets *(continued)*

Table 1	Goodwill 1 October 2019 £m	Acquisitions and disposals £m	Interdivision reclassifications £m	Adjusted goodwill 1 October 2020 £m
Retail	168	11	-	179
Paymentshield	84	-	-	84
Insurance Broking	250	234	29	513
Schemes & Programmes	69	-	(28)	41
MGA	53	29	(1)	81
Arachas	-	184	-	184
Specialty & International	108	-	-	108
	732	458	-	1,190

Table 2 1 October 2020	FVLCD £m	VIU £m	Recoverable amount £m
Retail	756	858	858
Paymentshield	283	321	321
Insurance Broking	1,241	1,408	1,408
Schemes & Programmes	143	163	163
MGA	189	215	215
Arachas	306	348	348
Specialty & International	662	751	751
	3,580	4,064	4,064

Table 3 1 October 2020	Goodwill £m	Carrying amount £m	Recoverable amount £m	Headroom £m
Retail	179	325	858	533
Paymentshield	84	113	321	208
Insurance Broking	513	846	1,408	562
Schemes & Programmes	41	60	163	103
MGA	81	126	215	89
Arachas	184	279	348	69
Specialty & International	108	181	751	570
	1,190	1,930	4,064	2,134

13 Intangible assets *(continued)*

Further information is provided below about the amounts in the above tables:

- *Goodwill:*

  The 'Interdivision reclassifications' column in table 1 reflects the impact on goodwill of the reclassification of certain businesses between divisions during the 12 month period presented.

  The 'Foreign exchange' column in table 1 reflects the retranslation, using the exchange rate at the reporting date, of goodwill that resulted from the acquisition of a foreign operation.

  The 'Acquisitions and disposals' column in table 1 reflects the impact on goodwill of the acquisitions by the Group during the 12 month period to 1 October 2021:
  - The share capital of Marmalade Limited, the goodwill of which is included in the Retail division;
  - The share capital of Headley Holdings Limited, of Hera Indemnity Limited, of Drayton Ins. Limited and of Usay Group Limited, the goodwill of which is included in the Advisory division;
  - The share capital of Brian J Pierce Limited, the goodwill of which is included in the Europe division;
  - The share capital of Resilium Bidco Pty Limited and of AccuRisk Solutions LLC, and a business and certain assets of Helmsley Wynne Furlonge LLP, the goodwill of which is included in the Global Partners division;
  - The share capital of Sino Insurance Brokers Limited, the goodwill of which is included in the Specialty division;
  - The goodwill of various other individually immaterial businesses.

  (2020: The 'Acquisitions and disposals' column in table 1 reflects the impact on goodwill of the acquisitions by the Group during the 12 month period to 1 October 2020 of a business and certain assets of Rural Insurance, the goodwill of which is included in the MGA division, of the share capital of Nevada 4 Midco 1 Limited, the goodwill of which is included in the Insurance Broking division, of the share capital of Nevada 5 Topco Limited, the goodwill of which is included in the Arachas division, of the share capital of Nevada 4 Midco 1 Limited, the parent of Bravo Investment Holdings Limited, the goodwill of which is included in the Insurance Broking division, of the share capital of Thames Underwriting Limited, the goodwill of which is included in the MGA division, of the share capital of Lloyd Latchford Group Limited, the goodwill of which is included in the Retail division, and of various other individually immaterial businesses.)

  The term 'Adjusted' has been used to describe goodwill as at 1 October 2020 in table 1 because it reflects the disposal by the Group of Milburn Insurance Brokers even though that disposal occurred after 1 October 2020. This was to ensure that the goodwill and thus the carrying amount as at 1 October 2020 was determined in a way that was consistent with the recoverable amount as at 1 October 2020, which was based on forecasts that reflected that disposal as if it had already occurred.

13 Intangible assets *(continued)*

- *Carrying amount:*
  The 'Carrying amount' column in table 3 includes the carrying amounts of the divisions. These amounts are determined by adding back external debt and lease liabilities to the net assets of each division and the Corporate non-operating division, by allocating the resulting adjusted net assets of the Corporate non-operating division across the divisions pro rata to the resulting adjusted net assets of each division, and by adding these amounts to the goodwill of the divisions after first grossing that goodwill up for the non-controlling interest.

- *Value in use:*
  The 'VIU' column in table 2 includes the present value of future cash flows of the divisions together with an allocation of the cash flows of the Corporate non-operating division, where the cash flows are based on the most recent five-year forecast for Adjusted EBITDA as approved by management, pro forma for completed transactions as at 1 October 2021 (2020: 1 October 2020). These forecasts were determined by considering historic business performance, by overlaying it with assumptions to reflect areas where growth or income improvement is expected, and by taking into account the expected results of cost management programmes to which the Group is committed. The 2026 forecast (2020: 2025 forecast) is extrapolated to subsequent years using a steady growth rate being the CPI inflation rate of 1.9% per annum (2020: CPI inflation rate of 1.7% per annum), and a terminal value is calculated using the perpetual growth model. The discount rate of 9.67% (2020: 9.84%) that has been applied to the forecasts is a market participant weighted average cost of capital calculated by reference to the Capital Asset Pricing Model.

- *Fair value less costs of disposal:*
  The 'FVLCD' column in table 2 is determined by reference to the fair value of the Group, which is calculated based on multiples of forecast 2022 (2020: forecast 2021) Adjusted EBITDA and on information provided by external advisors. The fair value of a CGU is estimated using a valuation technique that makes use of level 3 inputs, in accordance with IFRS 13 *Fair Value Measurement*, specifically by apportioning the fair value of the Group between the divisions based on the VIU of each division. The estimated costs of disposal, which are assumed based on market experience to be 1.5% (2020: 1.5%) of the fair value of the division, are then deducted to determine the FVLCD of the division.

- *Recoverable amount:*
  The 'Recoverable amount' column in tables 2 and 3 is equal to the VIU for all divisions, as VIU is greater than FVLCD in all cases.

The key assumption to which the VIU and thus the recoverable amount is most sensitive is the five-year forecast for Adjusted EBITDA. If the five-year forecast for Adjusted EBITDA were to be decreased by 29.06% (2020: 41.91%), there would be an impairment to the MGA division. If the five-year forecast for Adjusted EBITDA were to be decreased by 30.69% (2020: 20.16%) there would also be an impairment to the Europe division. If the five-year forecast for Adjusted EBITDA were to be decreased by 61.47% (2020: 40.42%), there would also be an impairment to the Advisory division. No further reasonably possible change in this assumption alone would result in an impairment to any other CGU.

14 Property, plant and equipment

The tables below provide a schedule of the movements in the carrying amount of property, plant and equipment held on the statement of financial position at 31 December 2021.

2021 Cost	Freehold property £000	Leasehold improvements £000	Assets under construction £000	Furniture and office equipment £000
Beginning of year	4,192	8,927	594	2,280
Additions	2	1,700	383	860
Business combinations	1,033	168	240	576
Disposals	(77)	(512)	(17)	(1,103)
Transfer between classes	(12)	201	(547)	(299)
Transfer (to)/from intangible assets	-	-	(300)	187
Foreign exchange movement	(23)	(7)	-	(202)
End of year	**5,115**	**10,477**	**353**	**2,299**

2021 Cost	*Computer* equipment £000	*Fixtures* and fittings £000	*Motor* vehicles £000	Total £000
Beginning of year	30,866	5,233	38	**52,130**
Additions	3,284	1,485	-	**7,714**
Business combinations	1,455	866	146	**4,484**
Disposals	(2,716)	(1,021)	(115)	**(5,561)**
Transfer between classes	352	305	-	-
Transfer (to)/from intangible assets	5	235	-	**127**
Foreign exchange movement	(484)	(14)	(1)	**(731)**
End of year	**32,762**	**7,089**	**68**	**58,163**

14 Property, plant and equipment *(continued)*

2021 Depreciation	Freehold property £000	Leasehold improvements £000	Assets under construction £000	Furniture and office equipment £000
Beginning of year	1,045	1,055	-	551
Charge for year	165	1,957	-	669
Disposals	(77)	(279)	-	(1,037)
Transfer between classes	(61)	61	-	(104)
Transfer from intangible assets	-	-	-	-
Foreign exchange movement	(5)	(1)	-	(121)
End of year	**1,067**	**2,793**	**-**	**(42)**

2021 Depreciation	Computer equipment £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Beginning of year	20,872	1,483	14	**25,020**
Charge for year	4,688	1,488	27	**8,994**
Disposals	(2,517)	(926)	-	**(4,836)**
Transfer between classes	(16)	120	-	**-**
Transfer from intangible assets	(6)	-	-	**(6)**
Foreign exchange movement	(242)	(11)	(1)	**(381)**
End of year	**22,779**	**2,154**	**40**	**28,791**

2021 Net book value (NBV)	Freehold property £000	Leasehold improvements £000	Assets under construction £000	Furniture and office equipment £000
Cost at end of year	**5,115**	**10,477**	**353**	**2,299**
Depreciation at end of year	**(1,067)**	**(2,793)**	**-**	**42**
NBV at end of year	**4,048**	**7,684**	**353**	**2,341**

2021 Net book value (NBV)	Computer equipment £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost at end of year	**32,762**	**7,089**	**68**	**58,163**
Depreciation at end of year	**(22,779)**	**(2,154)**	**(40)**	**(28,791)**
NBV at end of year	**9,983**	**4,935**	**28**	**29,372**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 *Property, plant and equipment (continued)*

The tables below provide a schedule of the movements in the carrying value of property, plant and equipment held on the statement of financial position at 31 December 2020.

2020 Cost	Freehold property £000	Leasehold improvements £000	Assets under construction £000	Furniture and office equipment £000
Beginning of year	4,193	11,557	97	1,523
Additions	-	1,274	312	179
Business combinations	-	302	-	942
Disposals	(1)	(4,206)	-	(226)
Transfer between classes	-	-	185	(129)
Transfer from intangible assets	-	-	-	25
Foreign exchange movement	-	-	-	(34)
End of year	4,192	8,927	594	2,280

2020 Cost	Computer equipment £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Beginning of year	23,851	5,169	80	46,470
Additions	5,327	416	-	7,508
Business combinations	3,176	118	5	4,543
Disposals	(1,133)	(710)	(47)	(6,323)
Transfer between classes	(296)	240	-	-
Transfer from intangible assets	21	2	-	48
Foreign exchange movement	(80)	(2)	-	(116)
End of year	30,866	5,233	38	52,130

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Property, plant and equipment *(continued)*

2020 Depreciation	Freehold property £000	Leasehold improvements £000	Assets under construction £000	Furniture and office equipment £000
Beginning of year	935	1,886	-	431
Charge for year	110	2,495	-	462
Disposals	-	(3,326)	-	(196)
Transfer between classes	-	-	-	(123)
Foreign exchange movement	-	-	-	(23)
End of year	1,045	1,055	-	551

2020 Depreciation	Computer equipment £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Beginning of year	16,133	884	33	20,302
Charge for year	5,771	1,226	13	10,077
Disposals	(1,138)	(643)	(32)	(5,335)
Transfer between classes	106	17	-	-
Foreign exchange movement	-	(1)	-	(24)
End of year	20,872	1,483	14	25,020

2020 Net book value (NBV)	Freehold property £000	Leasehold improvements £000	Assets under construction £000	Furniture and office equipment £000
Cost at end of year	4,192	8,927	594	2,280
Depreciation at end of year	(1,045)	(1,055)	-	(551)
NBV at end of year	3,147	7,872	594	1,729

2020 Net book value (NBV)	Computer equipment £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost at end of year	30,866	5,233	38	52,130
Depreciation at end of year	(20,872)	(1,483)	(14)	(25,020)
NBV at end of year	9,994	3,750	24	27,110

15 Leases

The majority of the Group's leases are for properties in the UK and these leases typically run for a period of 5-10 years. Some of the Group's leases are being held over beyond the original end date of the lease. Rent is normally fixed but may be subject to a review every few years. Many of the Group's long-term contracts have an option to terminate the lease prior to its end date, but in most cases termination options are not reasonably certain to be exercised so that the lease liability reflects all lease payments through to the ultimate end date of the lease. Service charges and other contractual payments to the lessor are excluded from the measurement of the lease liability. VAT (including when it is irrecoverable) and business rates are also excluded from the measurement of the lease liability as they do not constitute a lease payment under IFRS 16.

The Group does not act as a lessor other than as a sublessor. Subleases are not considered material for the Group.

Leases of low value assets, for which the Group applies the practical expedient not to recognise a lease liability, are not considered material for the Group.

The table below provides a schedule of the movements in the carrying amount of the right-of-use assets and lease liabilities (when the Group acts as a lessee) that are held on the statement of financial position during the year ended 31 December 2021.

	Right-of-use assets			
	Property £000	Non-property £000	Total £000	Lease liabilities £000
As at 1 January 2021	37,889	3,163	41,052	(49,879)
Additions	6,028	1,043	7,071	(6,520)
Business combinations	8,073	12	8,085	(7,175)
Terminations/modifications	(1,079)	(29)	(1,108)	1,216
Depreciation	(10,423)	(1,477)	(11,900)	-
Interest expense	-	-	-	(5,783)
Lease payments	-	-	-	16,429
Foreign exchange movements	(232)	-	(232)	319
As at 31 December 2021	**40,256**	**2,712**	**42,968**	**(51,393)**

Current	**(15,607)**
Non-current	**(35,786)**
	(51,393)

15 Leases *(continued)*

The table below provides a schedule of the movements in the carrying amount of the right-of-use assets and lease liabilities (when the Group acts as a lessee) that are held on the statement of financial position during the year ended 31 December 2020.

	Right-of-use assets			
	Property £000	Non-property £000	Total £000	Lease liabilities £000
As at 1 January 2020	35,528	681	36,209	(43,105)
Additions	3,233	2,719	5,952	(5,404)
Business combinations	9,864	711	10,575	(11,499)
Terminations/modifications	(1,927)	(109)	(2,036)	2,829
Depreciation	(8,847)	(839)	(9,686)	-
Impairment	12	-	12	-
Interest expense	-	-	-	(5,757)
Lease payments	-	-	-	12,949
Foreign exchange movements	26	-	26	108
As at 31 December 2020	37,889	3,163	41,052	(49,879)
Current				(12,997)
Non-current				(36,882)
				(49,879)

In addition to the above, the Group recognised the following in profit or loss for the year in relation to leases:

	31 December 2021 £000	31 December 2020 £000
Variable lease payments expensed (presented within other operating expenses and mainly relates to service charges)	**3,935**	3,180
Expense relating to irrecoverable VAT on rent payments and business rates (presented within other operating costs)	**2,178**	6,275
Net loss/(profit) on termination of leases (presented within other income)	**4**	(782)
Finance income on finance subleases (presented within finance income)	**-**	(85)
Income from operating subleases (presented within other income)	**-**	(188)
	6,117	8,400

During the year ended 31 December 2021, the estimated total cash outflows for leases (excluding cash inflows for sub-leases and lease incentives), constituting rent payments (excluding VAT, whether recoverable or not) and variable lease payments (that do not form part of the lease liability - mainly service charges), was £20.4m (2020: £16.1m).

15 Leases *(continued)*

Maturity analysis

The following table provides a maturity analysis of the Group's undiscounted lease liability:

	31 December 2021 £000	31 December 2020 £000
Within one year	**17,047**	13,949
In one to five years	**41,361**	42,185
In over 5 years	**10,013**	12,990
Total undiscounted value	**68,421**	69,124

16 Business combinations

The Group made the acquisitions below during the year ended 31 December 2021. The principal reason for these business combinations was to complement existing operations and to expand the geographical footprint of the Ardonagh Group.

- On 1 January 2021, the Group obtained control over Sino Insurance Brokers Limited as a result of a call option becoming currently exercisable (albeit not exercised) on and from that date. The consideration paid on 1 January 2021 was £nil. The non-controlling interest of £6.5m was recognised on 1 January 2021.
- On 5 January 2021, the Group purchased Headley Holdings Limited. The consideration paid was £9.4m cash, and contingent consideration with a fair value of £2.4m.
- On 15 February 2021, the Group purchased Resilium Bidco Pty Limited. The consideration paid was AUD 20.8m cash (this includes an amount of AUD 10m that was not paid out as it was loaned back to the Group by the vendor), AUD 35.5m of liabilities assumed on behalf of the seller that were classified as deferred consideration and shares in Ardonagh Australia Pty Limited with a fair value of AUD 14.5m (both subsidiaries of the Group).
- On 2 March 2021, the Group purchased Hera Indemnity Limited. The consideration paid was £19.9m cash, deferred consideration with a fair value of £1.3m, and contingent consideration with a fair value of £0.6m.
- On 30 March 2021, the Group purchased AccuRisk Holdings LLC. The consideration paid was USD 30.8m cash and shares with a fair value of USD 4.9m.
- On 31 March 2021, the Group purchased the business and assets of Hemsley Wynne Furlonge LLP. The consideration paid was £24.5m cash, plus 11,452,050 ordinary shares (49.9% interest) and 12,924,096 preference shares in Hamilton Investment Holdings Limited with a fair value of £20.5m and £13.2m respectively (there is a put and call option over these shares).
- On 31 March 2021, the Group purchased Marmalade Limited. The consideration paid was £22.1m cash, and contingent consideration with a fair value of £6.4m.
- On 1 June 2021, the Group purchased Drayton Ins. Limited. The consideration paid was £7.5m cash, and contingent consideration with a fair value of £2.6m.
- On 2 July 2021, the Group purchased Brian J Pierce Limited. The consideration paid was €16.1m.
- On 1 September 2021, the Group purchased Usay Group Limited. The consideration paid was £59.7m cash, contingent consideration with a fair value of £8.1m, and a £1.3m loan note in Ardonagh Advisory Holdings Limited that was classified as deferred consideration.
- On 1 October 2021, the Group purchased Starlingspell Limited, O'Donoghue Hooper Dolan Insurances Limited, Galway Hooper Dolan Insurances Limited, Gorman Hooper Dolan Insurances Limited, Bermingham Hooper Dolan Insurances Limited, Cavanagh Hooper Dolan Insurances Limited, County Hooper Dolan Insurances Limited and McCormack Hooper Dolan insurances Limited (the 'Hooper Dolan companies'). The combined consideration paid was €69.5m.
- On 1 November 2021, the Group purchased Ed Broking Group Limited and Besso Insurance Group Limited (the 'Ed and Besso companies'). The consideration paid was USD 534.9m.
- The Group purchased other individually immaterial business combinations, the aggregate consideration for which was £22.0m, €6.3m, USD 11.3m and AUD 6.6m cash, contingent consideration with a fair value of £3.9m, €1.3m, USD 5.0m and AUD 2.9m, and ordinary shares with a fair value of €3.0m and AUD 1.1m (there is a put and call option over these shares).

Acquisition costs arising as a result of these transactions have been recognised as part of other operating costs in the statement of profit or loss.

16 Business combinations *(continued)*

	Sino Insurance Brokers Limited £000	Headley Holdings Limited £000	Resilium Pty Limited £000	Hera Indemnity Limited £000
Purchase consideration				
Cash paid	-	9,425	5,499	19,920
Deferred consideration	-	-	19,862	1,273
Contingent consideration	-	2,447	556	589
Contingent consideration receivable				
Share buyout	-	-	-	-
Loan notes	-	-	5,595	-
Other debtors	-	-	-	-
Other creditors	-	-	280	-
Foreign exchange movements	-	-	-	-
Non-controlling interest				
Minority interest	6,450	-	8,099	-
Fair value of any pre-existing interest				
Fair value of associate	5,537	-	-	-
Total purchase consideration	11,987	11,872	39,891	21,782
Non-current assets				
Intangible assets	-	-	-	-
Property, plant and equipment	-	171	41	-
Right-of-use assets	104	253	337	41
Defined benefit pension asset	-	-	-	-
Other non-current financial assets	-	-	-	-
Investment in joint venture				
Financial assets at fair value through other comprehensive income	-	4	-	-
Current assets				
Cash and cash equivalents	7,458	1,617	32,803	5,169
Trade and other receivables	6,877	(68)	9,129	3,957
Other assets	-	2	10	91
Current liabilities				
Trade and other payables	(11,398)	(1,907)	(41,843)	(7,562)
Lease liabilities	-	(103)	-	-
Contract liabilities	-	(79)	(58)	-
Non-current liabilities				
Trade and other payables	-	-	(1,791)	-
Lease liabilities	-	(150)	(377)	(41)
Provisions	-	(89)	(19)	(9)
Borrowings	-	-	-	-
Contract liabilities	-	-	-	-
Net assets/(liabilities) acquired	3,041	(349)	(1,768)	1,646
Net identifiable intangible assets acquired	8,415	3,917	21,643	7,398
Deferred tax	(694)	(742)	(6,493)	(1,406)
Goodwill	1,225	9,046	26,509	14,144
Total purchase consideration	11,987	11,872	39,891	21,782

16 Business combinations *(continued)*

	AccuRisk Solutions LLC £000	Hemsley Wynne Furlonge LLP £000	Marmalade Limited £000	Drayton Ins. Limited £000
Purchase consideration				
Cash paid	22,379	24,474	20,943	7,529
Deferred consideration	-	-	-	-
Contingent consideration	-	30	6,449	2,629
Contingent consideration receivable				
Share buyout	-	33,689	-	-
Loan notes	-	-	-	-
Other debtors	-	-	1,164	-
Other creditors	-	-	-	-
Foreign exchange movements	-	-	-	-
Non-controlling interest				
Minority interest	3,598	-	-	-
Fair value of any pre-existing interest				
Fair value of associate	-	-	-	-
Total purchase consideration	25,977	58,193	28,556	10,158
Non-current assets				
Intangible assets	-	-	-	-
Property, plant and equipment	229	35	359	-
Right-of-use assets	347	90	-	95
Defined benefit pension asset	-	-	-	-
Other non-current financial assets	-	-	-	-
Investment in joint venture				
Financial assets at fair value through other comprehensive income	-	-	-	-
Current assets				
Cash and cash equivalents	716	254	2,968	1,965
Trade and other receivables	1,088	940	2,567	70
Other assets	2,898	386	79	2
Current liabilities				
Trade and other payables	(3,015)	(950)	(2,936)	(625)
Lease liabilities	-	(90)	-	-
Contract liabilities	(183)	-	-	(15)
Non-current liabilities				
Trade and other payables	-	-	(11)	-
Lease liabilities	(347)	-	-	(95)
Provisions	-	-	-	(182)
Borrowings	(4,468)	-	-	-
Contract liabilities	(331)	-	-	-
Net assets/(liabilities) acquired	(3,066)	665	3,026	1,215
Net identifiable intangible assets acquired	8,713	15,201	7,659	2,683
Deferred tax	(2,352)	(3,500)	(1,455)	(510)
Goodwill	22,682	45,827	19,326	6,770
Total purchase consideration	25,977	58,193	28,556	10,158

16 Business combinations *(continued)*

	Brian J Pierce Limited £000	Usay Group Limited £000	Hooper Dolan companies £000	Ed Broking and Besso companies £000
Purchase consideration				
Cash paid	12,351	59,664	47,082	391,742
Deferred consideration	-	1,265	-	-
Contingent consideration	1,418	8,053	12,407	-
Contingent consideration receivable				(26,937)
Share buyout	-	-	-	-
Loan notes	-	-	-	-
Other debtors	-	-	-	-
Other creditors	-	-	-	-
Foreign exchange movements	-	-	-	-
Non-controlling interest				
Minority interest	-	-	-	-
Fair value of any pre-existing interest				
Fair value of associate	-	-	-	-
Total purchase consideration	13,769	68,982	59,489	364,805
Non-current assets				
Intangible assets	-	-		-
Property, plant and equipment	23	469	1,046	1,773
Right-of-use assets	-	1,642	484	3,321
Defined benefit pension asset	-	-	-	4,885
Other non-current financial assets	-	-	-	344
Investment in joint venture				1,964
Financial assets at fair value through other comprehensive income	-	-	-	7,575
Current assets				
Cash and cash equivalents	2,429	3,010	11,726	269,912
Trade and other receivables	649	2,226	3,364	53,860
Other assets	17	203	142	7,905
Current liabilities				
Trade and other payables	(1,678)	(3,300)	(9,023)	(288,125)
Lease liabilities	-	-	-	(1,091)
Contract liabilities	-	-	(227)	(2,737)
Non-current liabilities				
Trade and other payables	-	-	-	(11,394)
Lease liabilities	-	(1,642)	(484)	(2,230)
Provisions	-	-	-	(3,887)
Borrowings	-	-	-	-
Contract liabilities	-	-	-	-
Net assets/(liabilities) acquired	1,440	2,608	7,028	42,075
Net identifiable intangible assets acquired	3,699	19,912	15,738	174,453
Deferred tax	(462)	(4,978)	(1,972)	(40,763)
Goodwill	9,092	51,440	38,695	189,040
Total purchase consideration	13,769	68,982	59,489	364,805

16 Business combinations *(continued)*

	Aggregated immaterial business combinations £000	Prior period measurement adjustments £000	Total £000
Purchase consideration			
Cash paid	38,282	1,788	661,078
Deferred consideration	2,672	-	25,072
Contingent consideration	8,380	224	43,182
Contingent consideration receivable			(26,937)
Share buyout	3,169	-	36,858
Loan notes			5,595
Other debtors	629	-	1,793
Other creditors	-	(2,067)	(1,787)
Foreign exchange movements	(7)	-	(7)
Non-controlling interest			-
Minority interest	-	(54)	18,093
Fair value of any pre-existing interest			
Fair value of associate	-	-	5,537
Total purchase consideration	53,125	(109)	768,477
Non-current assets			
Intangible assets	230	-	230
Property, plant and equipment	338	-	4,484
Right-of-use assets	541	830	8,085
Defined benefit pension asset	-	-	4,885
Other non-current financial assets	-	-	344
Investment in joint venture			1,964
Financial assets at fair value through other comprehensive income	-	-	7,579
Current assets			
Cash and cash equivalents	8,647	-	348,674
Trade and other receivables	10,642	-	95,301
Other assets	162	-	11,897
Current liabilities			
Trade and other payables	(21,847)	(4)	(394,213)
Lease liabilities	(116)	-	(1,400)
Contract liabilities	(13)	-	(3,312)
Non-current liabilities			
Trade and other payables	-	-	(13,196)
Lease liabilities	(409)	-	(5,775)
Provisions	(557)	-	(4,743)
Borrowings	-	-	(4,468)
Contract liabilities	-	-	(331)
Net assets/(liabilities) acquired	(2,382)	826	56,005
Net identifiable intangible assets acquired	23,027	39,172	351,630
Deferred tax	(4,289)	(7,510)	(77,126)
Goodwill	36,769	(32,597)	437,968
Total purchase consideration	53,125	(109)	768,477

16 Business combinations *(continued)*

The above table reflects the impact of measurement period adjustments made in 2021, relating to acquisitions completed in 2020. The significant measurement period adjustments are listed below:

- Acquisition of Nevada 5 Topco Limited (Arachas) – A measurement period adjustment was recorded on 31 March 2021 to allocate the intangibles recognised on acquisition and an adjustment to off-market leases resulting in a decrease to goodwill of £(1.2)m and an increase to customer relationships of £0.4m.
- Acquisition of Nevada 4 Midco 1 Limited (Bravo) – A measurement period adjustment was recorded on 7 July 2021 to allocate the intangibles recognised on acquisition. Customer relationships increased by £36.5m, brand by £2.0m, intellectual property by £1.8m and deferred tax decreased by £(7.6)m. As a result, Goodwill decreased by £(32.6)m.
- Acquisition of Robus Group Limited – A measurement period adjustment was recorded on 30 June 2021 to allocate the intangibles recognised on acquisition. Customer relationships decreased by £(0.9)m, brand by £(0.1)m and deferred tax increased by £0.2m. As a result, goodwill increased by £(0.4)m. There was also an adjustment booked to the acquisition accounting resulting in a reduction to the price of the acquisition of £(0.4)m.
- Acquisition of Lloyd Latchford – A measurement period adjustment was recorded on 30 April 2021 to reclassify the intangible recognised on acquisition. Customer relationships decreased by £(1.3)m, brand by £(0.1)m, computer software increased by £0.5m and deferred tax by £0.1m. As a result, goodwill increased by £0.9m.

The acquisitions were accounted for under IFRS 3 'Business Combinations', which requires that the identifiable assets acquired, and the liabilities assumed are measured at their acquisition date fair value. Goodwill is calculated as the difference between (a) the acquisition consideration plus the amount of any non-controlling interest, and (b) the acquisition date fair value of the net assets/(liabilities) acquired.

The amounts recognised in the year end consolidated financial statements are provisional and adjustments may occur during the remainder of the measurement period.

17 Transactions with non-controlling interests

On 15 February 2021, the Group issued 50,000 shares of Ardonagh Australia Pty Limited to an external investor for cash consideration of £2,024,821 (AUD 3,618,578) being the fair value of the shares.

On 19 April 2021, the Group purchased 2,549,381 of the 5,098,762 ordinary B shares and 15,000,000 of the 20,000,000 A ordinary shares of Nevada 5 Midco 2 Limited from minority shareholders in exchange for 1,066,270 new B ordinary shares of The Ardonagh Group Limited with a fair value of £2,243,455 (€2,606,581) and 6,273,699 ordinary shares of the Company with a fair value of £13,200,000 (€15,336,552). Nevada 5 Topco Limited is the direct parent of Nevada 5 Midco 2 Limited. It is the shares of Nevada 5 Midco 2 Limited that are bought by its direct parent from minority shareholders.

On 11 June 2021, the Group purchased 3,262,071 and 2,342,527 Atlanta A shares in Atlanta Investment Holdings 3 Limited from minority shareholders, the consideration for which was, respectively, 10,590,693 ordinary shares of The Ardonagh Group Limited with a fair value of £22,280,701 and £15,999,999 of loan notes (which included pre-funded interest of £534,794) such that the gross carrying amount of the debt on issue date is £16,534,793. The loan notes are redeemable over three years to 31 July 2023. Nevada Investments Topco Limited is the direct parent of Atlanta Investment Holdings 3 Limited. It is the shares of Atlanta Investment Holdings 3 Limited that are bought by its direct parent from minority shareholders.

On 31 August 2021, the Group, in particular the subsidiary RDG Midas Holdings (NI) Limited, purchased the 26 B ordinary shares and 45,000 preference shares of RDG Midas Holdings (NI) Limited that were held by minority shareholders, the consideration for which was £26 and £60,000 respectively.

On 26 October 2021, the Group purchased 374,668 B ordinary shares of Ardonagh Specialty Holdings Limited from minority shareholders for cash consideration of £5,732,420 payable in March 2022.

On 8 November 2021, the Group purchased 110,000 C ordinary shares and 3,150 D ordinary shares of Bravo Investment Holdings Limited from minority shareholders, the consideration for which was £425,000 comprising £363,841 cash and £61,159 in settlement of loans that had previously been made to the minority shareholders.

17 Transactions with non-controlling interests *(continued)*

The effect on the equity attributable to the owners of the Group during 2021 is summarised as follows:

31 December 2021	Ardonagh Australia Pty Limited £000	Atlanta Investment Holdings 3 Limited £000	Nevada 5 Midco 2 Limited £000	RDG Midas Holdings (NI) Limited £000	Ardonagh Specialty Holdings Limited £000	Bravo Investment Holdings Limited £000	Total £000
Carrying amount of non-controlling interests purchased/issued	(2,025)	5,630	(7,806)	(2,441)	-	(824)	(7,466)
Fair value consideration paid to non-controlling interests:							
Cash	2,025	-	-	(60)	-	(364)	1,601
Reduction in debtor	-	-	-	-	-	(61)	(61)
Loan notes	-	(16,535)	-	-	-	-	(16,535)
Payable	-	-	-	-	(5,732)	-	(5,732)
Shares in The Ardonagh Group Limited	-	(22,281)	(15,443)	-	-	-	(37,724)
Transaction costs	-	-	(213)	-	(29)	(2)	(244)
	2,025	(38,816)	(15,656)	(60)	(5,761)	(427)	(58,695)
Excess of consideration paid/payable recognised in the transactions with non-controlling interests reserve within equity	-	(33,186)	(23,462)	(2,501)	(5,761)	(1,251)	(66,161)

17 Transactions with non-controlling interests *(continued)*

The effect on the equity attributable to the owners of the Group during 2020 is summarised as follows:

31 December 2020	Atlanta Investment Holdings 3 Limited £000	Nevada Investments 1 Limited £000	Ardonagh Specialty Holdings Limited £000	Bravo Investment Holdings Limited £000	Total £000
Carrying amount of non-controlling interests purchased/issued	4,661	1,041	-	(2,729)	2,973
Fair value of consideration paid to non-controlling interests:					
Cash	(8,000)	-	-	(1,246)	(9,246)
Reduction in debtor	-	-	-	(87)	(87)
Shares in The Ardonagh Group Limited	(60,807)	(2,630)	(29,480)	(8,735)	(101,652)
Transaction costs	(343)	(14)	(147)	(50)	(554)
	(69,150)	(2,644)	(29,627)	(10,118)	(111,539)
Excess of consideration paid/payable recognised in the transactions with non-controlling interests reserve within equity	(64,489)	(1,603)	(29,627)	(12,847)	(108,566)

18 Investment in associates and joint ventures

Associates

On 12 September 2019, the Group acquired a 40% interest in Sino Insurance Brokers Limited (which has a wholly owned subsidiary, Sino Reinsurance Brokers Limited), comprising 400,000 ordinary shares of HKD1 each. This associate is initially recognised at cost and subsequently via the equity method, where the cost is the consideration comprising cash of HKD14.3m and contingent consideration with a fair value of HKD21.4m. The Group was entitled, under the terms of the acquisition of the 40% interest, to exercise a call option during the period 1 January 2021 to 31 December 2023 to acquire a further 35% interest in Sino Insurance Brokers Limited, comprising 350,000 ordinary shares of HKD1 each.

On 1 January 2021, the Group obtained control over Sino Insurance Brokers Limited as a result of the call option becoming currently exercisable (albeit not exercised) on and from that date. The call option, if exercised, enables the Group to increase its 40% holding in Sino Insurance Brokers Limited to 75%. Sino Insurance Brokers Limited and its subsidiaries had previously been accounted for as an associate, but they are consolidated from 1 January 2021 as a result of the Group obtaining control. The consideration paid on 1 January 2021 was £nil. The equity interest was remeasured on 1 January 2021 (a business combination achieved in stages) from its carrying amount of £4.1m to its fair value of £5.5m, giving rise to a £1.4m gain in the income statement, and it was then derecognised. A non-controlling interest of £6.5m was recognised on 1 January 2021.

Sino Insurance Brokers Limited is incorporated in Hong Kong with a registered address of: Room 2501, Singga Commercial Centre, 144-151 Connaught Road West, Hong Kong.

On 23 December 2021, the Group acquired a 49% holding in the equity of the subsidiary of a service provider, for £nil consideration. It was also agreed that the service provider would novate to this associate £3.0m of amounts that were due to and thus receivable by the Group, so this amount is thereafter receivable by the associate and then by the Group from the associate, which is a related party.

The remaining investment in associate is in Solis Re Agency Inc, a company incorporated in the USA with a registered office address of: c/o Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, DE 19808.

Investment in associates	**31 December 2021 £000**	31 December 2020 £000
Start of the year	**5,124**	3,800
Addition	**-**	1,014
Remeasurement (business combination achieved in stages)	**1,459**	-
Derecognition (business combination achieved in stages)	**(5,537)**	-
Foreign exchange movement	**(90)**	15
Share of profit for the year	**246**	608
Dividend received	**-**	(313)
End of the year	**1,202**	5,124

Summarised financial information in respect of the Group's interest in Solis Re Agency Inc (2020: Solis Re Agency Inc and Sino Insurance Brokers) is set out below:

Investment in associates	**31 December 2021 £000**	31 December 2020 £000
Non-current assets	**412**	1,345
Current assets	**151**	3,422
Current liabilities	**-**	(535)
Equity attributable to the owners of the parent	**563**	4,232

18 Investment in associates and joint ventures

Investment in associates	31 December 2021 £000	31 December 2020 £000
Revenue	**683**	3,843
Profit after tax	**245**	1,383

Joint ventures

The Group has a participating interest in Carole Nash Legal Services LLP, a legal practice. Carole Nash Insurance Consultants Limited, a Group subsidiary company, owns 50% of the total equity of Carole Nash Legal Services LLP. Carole Nash Legal Services LLP is incorporated and domiciled in Wales.

On 1 November 2021, the Group acquired a participating interest in Neutral Bay Investments Limited, an investment company incorporated and domiciled in England, with its principal investment being in an insurance underwriting agency based in Australia. A Group subsidiary company, Besso Insurance Group Limited, owns 50% of the total equity of Neutral Bay Investments Limited.

Investment in joint ventures	31 December 2021 £000	31 December 2020 £000
Start of the year	**3,635**	3,620
Business combinations	**1,964**	-
Share of profit for the year	**1,151**	1,417
Dividend received	**(1,587)**	(1,402)
End of the year	**5,163**	3,635

Summarised financial information in respect of the Group's interest in Carole Nash Legal Services LLP and Neutral Bay Investments Limited is set out below:

Investment in joint ventures	31 December 2021 £000	31 December 2020 £000
Net current assets	**4,173**	4,588
Equity attributable to the owners of the parent	**4,173**	4,588

Investment in joint ventures	31 December 2021 £000	31 December 2020 £000
Revenue	**2,496**	2,859
Profit after tax	**1,197**	1,689

19 Cash and cash equivalents

	31 December 2021 £000	31 December 2020 £000
Own funds	**411,343**	140,780
Own funds - restricted	**51,638**	37,752
Fiduciary funds	**872,334**	407,105
	1,335,315	585,637

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

Restricted own funds comprise:

- £Nil as at 31 December 2021 (2020: £13.8m) of restricted cash kept in segregated accounts for claim settlements in relation to the disposal of the Towergate Financial business by Ardonagh Services Limited, an intermediate holding company within the Group.
- £51.6m as at 31 December 2021 (2020: £23.9m) of restricted cash kept in segregated accounts pursuant to the FCA's Threshold Condition 2.4 (applicable to the insurance broking industry), for ensuring that funds are available to pay any costs and expenses necessary to achieve an orderly wind down of the Group's business in the event its broking operations cease to operate or are otherwise closed. The amount of cash required to be held is determined by management and agreed by the FCA.

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

20 Trade and other receivables

The Group had exposures as at 31 December 2021 to numerous individual trade counterparties within trade receivables. In accordance with Group policy, trade receivable balances are continually monitored against credit limits and concentration of risk. No individual trade counterparty credit exposure is considered significant in the ordinary course of trading activity. Management does not expect any significant losses from non-performance by trade counterparties that have not been provided for.

	31 December 2021 £000	31 December 2020 £000
Trade receivables	**227,064**	140,680
Less: expected credit loss allowance	**(22,863)**	(9,512)
Trade receivables - net	**204,201**	131,168
Prepayments	**38,595**	19,829
Accrued income	**21,885**	14,992
Convertible loan receivable	**63,833**	£ 0
Other receivables	**53,349**	43,957
Other debtors	**36,807**	28,175
Related party debtors	**343,711**	53,161
Deferred and contingent consideration receivable	**27,375**	2,346
	789,756	293,628
Current	**695,269**	269,445
Non-current	**94,487**	24,183
	789,756	293,628

21 Contract balances

	31 December 2021 £000	31 December 2020 £000
Contract assets	**18,523**	14,145
Current	**15,834**	11,482
Non-current	**2,689**	2,663
Contract liabilities		
Post-placement performance obligations	**(22,654)**	(8,107)
Other deferred income	**(26,001)**	(24,037)
	(48,655)	(32,144)
Current	**(44,873)**	(30,856)
Non-current	**(3,782)**	(1,288)
	(48,655)	(32,144)

Contract assets are amounts of revenue recognised by the Group that are subject to variability. Variable consideration is a key source of estimation uncertainty (note 4). The increase to the contract assets balance during the year ending 31 December 2021 reflects a £5.1m impact of new acquisitions offset by a decrease of £(0.8)m in profit commissions. The estimated revenue relating to profit commission that was recognised in 2021 on policies incepted prior to 2021 amounts to £3.2m (2020: £6.4m related to policies incepted prior to 2020). This is generally due to re-estimation of amounts previously recognised and relaxation of the constraint on revenue as amounts become more certain.

Contract liabilities represent the Group's obligation to transfer services to customers for which the Group has received the consideration (or the amount is due) from the customer. During the year ended 31 December 2021, the Group recognised revenue amounting to £30.9m (2020: £26.8m) that was included in the opening balance of contract liabilities. Contract liabilities increased during the year ending 31 December 2021 mainly due to a £4.2m increase in Geo Underwriting Services Limited and £10.7m following the acquisition of the Ed Broking and Besso companies.

The Group applies the practical expedient in IFRS 15 not to disclose information about the transaction price associated with performance obligations to be completed after the reporting date, if the performance obligation is part of a contract that has an original expected duration of one year or less. With respect to contracts with an original expected duration of more than a year, the aggregate amount of transaction price allocated to performance obligations that are unsatisfied (or partially satisfied) as of the reporting date is £22.7m (2020: £8.1m). This amount is expected to be recognised as revenue as follows:

	31 December 2021 £000	31 December 2020 £000
Within 12 months of the reporting date	**16,103**	7,409
Between 12 and 24 months of the reporting date	**6,551**	679
More than 24 months after the reporting date	**-**	19
	22,654	8,107

22 Other assets

	31 December 2021 £000	31 December 2020 £000
Costs to fulfil contracts with customers	**21,568**	7,738
Costs to obtain contracts with customers	**28,824**	27,750
	50,392	35,488
Current	**40,246**	25,439
Non-current	**10,146**	10,049
	50,392	35,488

The Group's cost to fulfil balance at each reporting period reflects salaries and other costs of customer-facing employees who undertake activities necessary to satisfy anticipated contracts with the customer. This is subsequently released to the profit or loss when the Group recognises the related revenue from those contracts, which is usually after the reporting date (1-3 months). The net impact on profit or loss for the year ending 31 December 2021 was a decrease in staff costs of £0.4m (2020: £0.1m).

Costs to obtain include incremental fees paid to aggregator websites for obtaining new business and are amortised, on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates, over the average life of the relationship with the customer.

Amortisation amounting to £18.1m was recognised in the profit or loss during the year ending 31 December 2021 (2020: £21.3m).

23 Cash generated from operations

Cash flows from operating activities	31 December 2021 £000	31 December 2020 £000
Loss for the year after tax	**(71,889)**	(199,426)
Depreciation of property, plant and equipment and right-of-use assets	**20,894**	19,763
Amortisation	**96,553**	76,426
(Gain)/loss on disposal and impairment of non-financial assets	**(40)**	5,636
Impairment of financial asset	**-**	3,411
Other losses	**1,609**	253
Gain on revaluation of associate and investments	**(1,972)**	-
Loss on disposal of business	**-**	1,665
Transaction costs on completed and aborted acquisitions accrued in the year	**21,834**	3,245
Transaction costs on completed and aborted acquisitions paid in the year	**(20,967)**	(2,658)
Finance costs - net of finance income	**199,212**	234,611
Investment income	**(127)**	(787)
Share of profit from associate and joint venture	**(1,397)**	(2,025)
Tax (credit)/expense	**(22,537)**	17,212
Fair value loss on derivatives	**342**	2,136
Recycling to income statement from cash flow hedging reserve on revenue hedges	**(2,987)**	(280)
Increase in trade and other receivables	**32,587**	(25,044)
Increase in trade and other payables	**445,075**	60,232
Decease/(increase) in contract assets	**6,754**	(1,414)
Increase in other assets	**(14,143)**	(7,235)
Increase/(decrease) in contract liabilities	**12,867**	(527)
Effect of movements in exchange rates on cash held	**4,458**	3,180
Hedge ineffectiveness	**-**	(123)
Decrease in provisions	**(18,345)**	(34,687)
Net cash inflow from operations	**687,781**	153,564

24 Reconciliation of liabilities to cash flows arising from financing activities

Year ended 31 December 2021	Premium financing liabilities £000	Trade and other net payables £000	Borrowings £000	Lease liabilities £000	Financing cash flows relating to equity transactions £000	Other financial liabilities - derivatives £000	Total £000
At the beginning of the year	-	564	1,969,262	49,879	(10,834)	-	2,008,871
Interest paid on borrowings	-	(917)	(117,039)	-	-	-	(117,956)
Repayment of borrowings	-	-	(9,611)	-	-	-	(9,611)
Net proceeds from borrowings	-	-	633,755	-	-	-	633,755
Repayment of lease liabilities	-	-	-	(16,429)	-	-	(16,429)
Transactions with non-controlling interests	-	-	-	-	365	-	365
Purchase of own shares	-	-	-	-	(1,975)	-	(1,975)
	-	**(917)**	**507,105**	**(16,429)**	**(1,610)**	**-**	**488,149**
Non-cash changes:							
Acquisitions and disposals	-	-	10,063	7,175	-	-	17,238
Effect of changes in foreign exchange rates	-	-	650	(319)	-	-	331
Interest expense	-	905	221,553	5,783	-	-	228,241
Modification gain on amendment to borrowings	-	-	(44,158)	-	-	-	(44,158)
Unwind of discount	-	-	10,088	-	-	-	10,088
Accrued transaction costs	-	(53)	1,998	-	-	-	1,945
New leases/lease modifications	-	-	-	5,304	-	-	5,304
Equity related	-	16,540	-	-	12,444	-	28,984
At the end of the year	**-**	**17,039**	**2,676,561**	**51,393**	**-**	**-**	**2,744,993**

24 Reconciliation of liabilities to cash flows arising from financing activities *(continued)*

Year ended 31 December 2020	Premium financing liabilities £000	Trade and other net payables £000	Borrowings £000	Lease liabilities £000	Financing cash flows relating to equity transactions £000	Other financial liabilities - derivatives (restated)* £000	Total £000
At the beginning of the year	4,341	(8,317)	1,135,838	43,105	(4,304)	-	1,170,663
Interest paid on borrowings	-	(1,480)	(102,267)	-	-	-	(103,747)
Repayment of borrowings	-	-	(1,684,119)	-	-	-	(1,684,119)
Net interest receipt from cross currency swaps	-	-	-	-	-	22,611	22,611
Net repayments from premium financing	(4,341)	-	-	-	-	-	(4,341)
Proceeds from borrowings	-	-	2,033,747	-	-	-	2,033,747
Debt transaction costs	-	-	(48,295)	-	-	-	(48,295)
Repayment of lease liabilities	-	-	-	(12,949)	-	-	(12,949)
Transactions with non-controlling interests	-	-	-	-	(6,530)	-	(6,530)
	(4,341)	(1,480)	199,066	(12,949)	(6,530)	22,611	196,377
Non-cash changes:							
Acquisitions and disposals	-	-	411,052	11,499	-	-	422,551
Effect of changes in foreign exchange rates	-	-	(4,476)	(108)	-	-	(4,584)
Interest expense		2,014	135,740	5,757			143,511
Extinguishment of cross currency swaps						(22,611)	(22,611)
Unwind of discount	-	-	92,318	-	-	-	92,318
Accrued transaction costs	-	8,347	(276)	-	-	-	8,071
New leases/lease modifications	-	-	-	2,575	-	-	2,575
At the end of the year	-	564	1,969,262	49,879	(10,834)	-	2,008,871

* The prior year table has been corrected for presentational errors identified in the current year.

25 Financial instruments

Financial instruments classification

A description of each category of financial assets and financial liabilities and the related accounting policies can be found in note 3. The carrying amounts of the Group's financial assets and liabilities in each category are as follows:

Financial assets - 2021	**Derivatives used for hedging £000**	**FVTPL £000**	**Amortised cost £000**	**FVTOCI £000**	**Total £000**
Unlisted investments	-	-	-	7,747	7,747
UCIS assets	-	12	-	-	12
Convertible loan receivable	-	63,833	-	-	63,833
Trade receivables excluding prepayments	-	-	204,201	-	204,201
Other receivables	-	31,695	424,057	-	455,752
Contingent and deferred consideration receivable	-	27,375	-	-	27,375
Cash and cash equivalents	-	-	1,335,315	-	1,335,315
Derivatives	1,451	-	-	-	1,451
At 31 December 2021	**1,451**	**122,915**	**1,963,573**	**7,747**	**2,095,686**

Financial assets - 2020	Derivatives used for hedging £000	FVTPL £000	Amortised cost £000	FVTOCI £000	Total £000
Unlisted investments	-	-	-	285	285
UCIS assets	-	14		-	14
Trade receivables excluding prepayments	-	-	131,168	-	131,168
Other receivables	-	28,657	111,628	-	140,285
Contingent and deferred consideration receivable	-	2,057	289	-	2,346
Cash and cash equivalents	-	-	585,637	-	585,637
Derivatives	3,544	-	-	-	3,544
Held for sale trade and other receivables	-	-	24,000	-	24,000
At 31 December 2020	3,544	30,728	852,722	285	887,279

Financial liabilities - 2021	**Derivatives used for hedging £000**	**FVTPL £000**	**Amortised cost £000**	**Total £000**
Borrowings	-	-	(2,691,639)	(2,691,639)
Trade and other payables, excluding deferred income	-	-	(969,304)	(969,304)
Contingent and deferred consideration payable	-	(56,522)	-	(56,522)
Share buyout	-	(55,459)	-	(55,459)
Derivative liabilities	(49,408)	-	-	(49,408)
At 31 December 2021	**(49,408)**	**(111,981)**	**(3,660,943)**	**(3,822,332)**

25 Financial instruments *(continued)*

Financial liabilities - 2020	Derivatives used for hedging £000	FVTPL £000	Amortised cost £000	Total £000
Borrowings	-	-	(1,969,262)	(1,969,262)
Trade and other payables, excluding deferred income	-	-	(492,139)	(492,139)
Contingent and deferred consideration payable	-	(21,114)	-	(21,114)
Derivative liabilities	(51,243)	-	-	(51,243)
At 31 December 2020	(51,243)	(21,114)	(2,461,401)	(2,533,758)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 Financial instruments *(continued)*

Fair value measurement

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly as prices, or indirectly derived from prices; and
- Level 3: unobservable inputs for the asset or liability.

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on an ongoing basis:

31 December 2021	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets at fair value through profit or loss				
UCIS recovered assets	-	-	**12**	**12**
Trade and other receivables	-	-	**31,695**	**31,695**
Convertible loan receivable	-	-	**63,833**	**63,833**
Contingent and deferred consideration receivable	-	-	**27,375**	**27,375**
Derivatives hedging borrowings	-	**1,227**	-	**1,227**
Derivatives hedging forecast revenue	-	**224**	-	**224**
Financial assets at fair value through other comprehensive income				
Unlisted investments	-	-	**7,747**	**7,747**
Total financial assets at fair value	-	**1,451**	**130,662**	**132,113**
Contingent and deferred consideration payable	-	-	**(56,522)**	**(56,522)**
Share buy-out	-	-	**(55,459)**	**(55,459)**
Derivatives hedging borrowings	-	**(45,248)**	-	**(45,248)**
Derivatives hedging forecast revenue	-	**(4,160)**	-	**(4,160)**
Total financial liabilities at fair value	-	**(49,408)**	**(111,981)**	**(161,389)**
Net fair value at 31 December 2021	-	**(47,957)**	**18,681**	**(29,276)**

31 December 2020	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit or loss				
UCIS recovered assets	-	-	14	14
Trade and other receivables	-	-	28,657	28,657
Contingent and deferred consideration receivable	-	-	2,057	2,057
Derivatives hedging forecast revenue	-	3,544	-	3,544
Financial assets at fair value through other comprehensive income				
Unlisted investments	-	-	285	285
Total financial assets at fair value	-	3,544	31,013	34,557
Contingent and deferred consideration payable	-	-	(21,114)	(21,114)
Derivatives hedging borrowings	-	(51,243)	-	(51,243)
Total financial liabilities at fair value	-	(51,243)	(21,114)	(72,357)
Net fair value at 31 December 2020	-	(47,699)	9,899	(37,800)

25 Financial instruments *(continued)*

Fair value measurement *(continued)*

The following valuation techniques are used for instruments categorised in Levels 2 and 3:

Derivative financial instruments (Level 2)
The Group's derivatives are categorised within level 2 of the fair value hierarchy. These contracts are not traded in an active market, but the fair value is determined using valuation techniques and available market data, such as forward exchange rates corresponding to the maturity of the contract observable at the statement of financial position date and an appropriate sector credit spread.

UCIS recovered assets (Level 3)
The UCIS recovered assets are held at their fair value and are categorised within level 3 of the fair value hierarchy. Where no professional valuation is available, they are recognised at their published net asset value with an appropriate adjustment applied to the published unit price to reflect their illiquid nature and potentially lower net realisable value.

Trade and other receivables/contingent consideration receivable (Level 3)
Trade and other receivables include contingent consideration receivable with a fair value of £27.4m (2020: £2.3m) of which £26.9m is arising from the acquisition of the insurance operations of BGC Partners Inc and is subject to final agreement of the purchase price and £0.2m arising from the disposal of a renewal rights portfolio by AccuRisk Solutions LLC in 2019. This is categorised within level 3 of the fair value hierarchy with the valuation based on management's best estimate of the probability of the successful completion of the requirements set out in the sale and purchase agreements.

Also included in trade and other receivables at 31 December 2021 were assets at fair value through profit or loss that were recognised on a business combination in relation to the Group's right to variable consideration on rolling contracts with customers for which the performance obligation was satisfied prior to the acquisition. The fair value is a level 3 valuation and is calculated as the present value of future cash flows where those cash flows take into account expected cancellation rates and the life of the underlying insurance product.

Convertible loan receivable (Level 3)

The fair value of the convertible loan receivable is determined using a valuation technique (level 3 of the fair value hierarchy). In particular, the fair value of the convertible loan receivable is calculated as the lower of (a) the fair value of the equity into which the loan can be converted, and (b) the fair value of an equivalent loan that is not convertible. The fair value of the equity is determined based on a multiple of forecast EBITDA and using information provided by external advisors.

Contingent consideration, share buyout and deferred proceeds (Level 3)

The 31 December 2021 contingent consideration includes amounts arising from the acquisitions in 2021 of Headley Holdings Limited, Hera Indemnity Limited, Marmalade Limited, Drayton Ins. Limited, Usay Group Limited and the business and assets of Tandem Medical Solutions, in 2020 of Nevada 4 Midco 1 Limited and Thames Underwriting Limited, and from the acquisition in 2019 of an associate interest (now a subsidiary - note 18) in Sino Insurance Brokers Limited, as well as from other acquisitions that are individually not material. The 31 December 2021 share buyout liability arises from the acquisitions in 2021 of the business and assets of Hemsley Wynne Furlonge LLP, in 2020 of Lloyd Latchford Group Limited and Nevada 4 Midco 1 Limited, as well as from other acquisitions that are individually not material.

Share buyout is the liability arising from put options granted by the Group to minority shareholders of certain consolidated subsidiaries, giving the holders the right to sell all of their interest in those subsidiaries to the Group. The fair value of the share buyout payments is determined based on the discounted present value of the forecast option strike price, where the discount rate is the Group WACC if the strike price is a multiple of forecast EBITDA, less net debt.

Contingent consideration payments are generally contingent on the post-acquisition performance of the acquired business and achievement of certain performance thresholds. The fair value of contingent consideration is determined based on actual and forecast business performance of the acquired business, discounted using the Group WACC as the discount rate.

25 Financial instruments *(continued)*

Unlisted investments at fair value through other comprehensive income (Level 3)
Unlisted investments are categorised within level 3 of the fair value hierarchy. The valuation technique applied, except where specific market price information is available, is cost less any provision for impairment.

Fair value of financial instruments measured at amortised cost

The Directors consider the carrying amounts for trade and other receivables, trade and other payables, and the current portion of financial liabilities that are not measured at fair value, to approximate their fair values. The fair value of the Group's borrowings is disclosed in note 29.

Reconciliation of recurring fair value measurements within level 3
The table below provides a schedule of movements in the carrying amount in the statement of financial position of financial assets with recurring fair value measurements within level 3:

	Financial liabilities at FVTPL £000	**Financial assets at FVTPL £000**	**Financial assets at FVTOCI £000**	**Total £000**
As at 1 January 2021	(21,114)	30,728	285	9,899
Gains and losses	(8,881)	18,833	513	10,465
Acquired assets/liabilities	(19,084)	61,909	7,579	50,404
Consideration for business acquisitions and disposals	(105,974)	26,937	(630)	(79,667)
Settlements	43,072	(15,490)	-	27,582
Movement to reserves	-	(2)	-	(2)
At 31 December 2021	**(111,981)**	**122,915**	**7,747**	**18,681**

	Financial liabilities at FVTPL £000	Financial assets at FVTPL £000	Financial assets at FVTOCI £000	Total £000
As at 1 January 2020	(18,167)	32,448	271	14,552
Gains and losses	1,866	19,482	-	21,348
Acquired assets/liabilities	(8,395)	-	-	(8,395)
Consideration for business acquisitions and disposals	(14,433)	16,779	14	2,360
Settlements	3,015	(24,029)	-	(21,014)
Movement to reserves	15,000	(14,872)	(1,310)	(1,182)
Investment in associate	-	920	-	920
Acquisition of unlisted investment	-	-	1,310	1,310
At 31 December 2020	(21,114)	30,728	285	9,899

Gains and losses on the above instruments that are recognised in profit or loss are classified within other income and other operating costs respectively.

As part of the UCIS redress process the Group was able to acquire, in some cases, illiquid assets held by claimants. These assets are classified as fair value through profit or loss and the Group intends to realise their cash value as soon as it is feasible to do so. The Group has designated all of its unlisted equity investments as FVTOCI because these investments were initially held as long-term strategic investments that were not expected to be sold in the short to medium term. Dividends recognised in respect of the unlisted equity investments in the period amounted to £nil (2020: £nil).

As at 31 December 2021, trade and other receivables include a £26.0m (2020: £24.8m) asset classified at FVTPL that was recognised on a business combination in relation to the Group's right to variable consideration on rolling contracts with customers for which the performance obligation was satisfied prior to the acquisition date.

25 Financial instruments *(continued)*

Financial instruments risk

The Group is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk. As part of its overall governance and control arrangements, the Group operates a risk management framework (RMF) designed to identify, assess, manage, monitor and report on these risks.

The Group does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed are described below

Market risk analysis

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk.

Foreign currency risk

The Group's main exposure to foreign currency risk arises from: (i) its USD borrowings, and (ii) the settlement in foreign currency, principally USD, of brokerage and fees relating to the placement of insurance business originating overseas. The Group uses derivatives, specifically forward contracts and previously cross-currency swaps, to mitigate its foreign currency risk.

The Group's forward contracts, and previously its cross-currency swaps, mitigate its exposure to foreign currency risk on its USD PIK toggle notes. The Group defers payment of interest on its USD PIK toggle notes, and the forward contracts hedge the eventual repayment of the principal and accumulated interest.

The Group has forward contracts that mitigate its exposure to foreign currency risk on certain USD revenue arising on the placement of premiums denominated in USD, which is not the presentation nor functional currency of the Group. Based on forecast transactions, the Group effectively sells USD revenue by reference to individual brokerage transactions. The hedged USD revenues currently exclude the USD revenues resulting from the acquisition on 1 November 2021 of Ed Broking Group Limited. These revenues are used to make interest payments on the USD CAR facility, but it is expected that the residual cash flows will be hedged in accordance with existing policy.

For further information on hedge accounting please refer to note 26.

Interest rate risk

The Group has USD 500.0m of PIK toggle notes, but that is at fixed interest rates and thus does not give rise to interest rate risk. The Group's main exposure to interest rate risk arises from its £1,592.8m floating rate senior secured term loan, which has exposure to EURIBOR and SONIA (previously GBP LIBOR) benchmark interest rates. The Group uses derivatives, specifically interest rate swaps, to mitigate this interest rate risk.

The Group is also exposed to USD LIBOR on the USD 540.0m CAR facility and as of the reporting date has not entered into derivatives to mitigate this interest rate exposure. The USD interest payments are currently being sourced from USD revenues from Ed Broking Group Limited, which are not currently part of a documented hedge accounting relationship.

The Group is also exposed to changes in interest rates through its secured revolving credit facility borrowings at variable interest rates. However, these borrowings were undrawn as at 31 December 2021.

25 Financial instruments *(continued)*

Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk as it has a significant amount of trade receivables due from policyholders and from insurance companies with which it places insurance. However, most of the credit risk with policyholders is mitigated by the Group's ability to cancel the underlying policies and recoup a portion of the amount from insurers.

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at 31 December, as summarised below:

	31 December 2021 £000	31 December 2020 £000
Cash and cash equivalents	**1,335,315**	585,637
Trade and other receivables excluding prepayments	**751,161**	273,799
Contract assets	**18,523**	14,145
Convertible loan receivable	**63,833**	-
Other financial assets at fair value through profit or loss	**27,387**	2,071
	2,196,219	875,652

Counterparty balances are monitored as part of the credit control process. Significant balances are actively managed through the Group's ongoing strategic insurer relationship programme.

The Group had certain trade receivables as at 31 December 2021 that had not been settled by the contractual due date but that were not considered to be impaired.

The credit risk for cash and cash equivalents, money market funds and derivative financial instruments is considered negligible as the counterparties are reputable financial institutions with high quality external credit ratings. The Group does not hold any collateral as security.

25 Financial instruments *(continued)*

Expected credit losses

The estimated ECL for the current year is calculated based on actual credit loss experience over two years by segment. Actual credit loss experience is, where appropriate, adjusted by scalar factors to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. The scalar factors are based on GDP and unemployment rate forecasts (source: HM Treasury 'Forecasts for the UK Economy') and include the following:

- GDP: A 26.32% decrease in the growth in GDP is expected, from 7.13% in 2021 to 5.25% in 2022, which indicates that historical credit loss experience should be increased (2020: a 147.89% increase in the growth in GDP was expected, from (10.65)% in 2020 to 5.1% in 2021, which indicated that historical credit loss experience should be decreased); and
- Unemployment rate: A 7.03% decrease in unemployment rates is expected, from 4.63% in 2021 to 4.3% in 2022, which indicates that historical credit loss experience should be decreased (2020: a 12.61% increase in unemployment rates was expected, from 5.95% in 2020 to 6.7% in 2021, which indicated that historical credit loss experience should be increased).

ECL is measured on the basis that the counterparties are a single group and the calculation is not further distinguished between the Group's different customer types.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9:

	Not credit impaired			
Lifetime ECL	**Collectively assessed £000**	**Individually assessed £000**	**Credit impaired £000**	**Total £000**
Balance at 1 January 2021	**(7,079)**	**(2,433)**	-	(9,512)
Amounts written off	**5,131**	**2,664**	-	7,795
Amounts recovered	**112**	**1**	-	113
Change in loss allowance due to new trade receivables net of those derecognised for settlement	**(4,508)**	**(4,421)**	-	(8,929)
Foreign exchange gains and losses	**34**	**2**	-	36
Changes in risk parameters	**6**	**37**	-	43
Acquisition of companies	**(2,804)**	**(9,605)**	-	(12,409)
Balance at 31 December 2021	**(9,108)**	**(13,755)**	-	**(22,863)**

The Group has credit risk exposure on balances on loans due, but the ECL on these is not material.

25 Financial instruments *(continued)*

	Not credit impaired			
Lifetime ECL	Collectively assessed £000	Individually assessed £000	Credit impaired £000	Total £000
Balance at 1 January 2020	(8,281)	(2,460)	(48)	(10,789)
Amounts written off	3,248	5,422	48	8,718
Amounts recovered	1,014	12	-	1,026
Change in loss allowance due to new trade receivables net of those derecognised for settlement	(3,176)	(4,973)	-	(8,149)
Foreign exchange gains and losses	158	(134)	-	24
Acquisition of companies	(42)	(300)	-	(342)
Balance at 31 December 2020	(7,079)	(2,433)	-	(9,512)

The net expected credit losses recognised for trade receivables have been included in the statement of profit or loss as a separate line item.

25 Financial instruments *(continued)*

The following table sets out details of the age of trade receivables that are not overdue as well as an analysis of overdue amounts impaired and ECL recognised at 31 December 2021:

	Expected credit loss rate %	Estimated total gross carrying amount at default £000	Lifetime ECL £000	Total £000
Not past due	**0.6**	**75,472**	**(447)**	**75,025**
Past due:				
- not more than three months	**3.1**	**93,455**	**(2,909)**	**90,546**
- more than three months but not more than six months	**2.6**	**22,851**	**(602)**	**22,249**
- more than six months but not more than a year	**13.1**	**11,345**	**(1,487)**	**9,858**
- more than a year	**72.8**	**23,941**	**(17,418)**	**6,523**
At 31 December 2021	**10.1**	**227,064**	**(22,863)**	**204,201**

The following table sets out details of the age of trade receivables that are not overdue as well as an analysis of overdue amounts impaired and ECL recognised at 31 December 2020:

	Expected credit loss rate %	Estimated total gross carrying amount at default £000	Lifetime ECL £000	Total £000
Not past due	0.3	34,498	(119)	34,379
Past due:				
- not more than three months	3.1	65,802	(2,009)	63,793
- more than three months but not more than six months	3.2	11,521	(363)	11,158
- more than six months but not more than a year	5.4	12,665	(687)	11,978
- more than a year	39.1	16,194	(6,334)	9,860
At 31 December 2020	6.8	140,680	(9,512)	131,168

25 Financial instruments *(continued)*

Liquidity risk analysis

Liquidity risk is the risk that the Group might be unable to meet its obligations.

The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecasting cash inflows and outflows due in day-to-day business. The Group is cash generative and has an active cash management process. The Group Treasury function undertakes short term cash flow forecasting and closely monitors and manages the Group's cash balances. Immediate liquidity is available from the revolving credit facility (RCF) should any short-term financing be required. Drawings permissible under the RCF are limited by the Group's credit facility arrangements, which take into account the arrangements that are in place to address ETV liabilities. The RCF facility had not been utilised as at 31 December 2021.

The following are the remaining undiscounted contractual maturities (excluding interest payments) of non-derivative financial liabilities at the reporting date, except for lease liabilities (note 15). Information about derivative financial liabilities is given in note 25.

31 December 2021	**Carrying amount £000**	**Undiscounted amount £000**	**Within 12 months £000**	**Within 1-2 years £000**	**Within 2-5 years £000**	**More than 5 years £000**
Term facilities due 2026	**1,500,479**	**1,564,137**	**-**	-	**1,564,137**	**-**
USD 500.0m PIK toggle notes due 2027	**398,353**	**369,519**	**-**	-	**-**	**369,519**
£300.0m CAR facility due 2026	**287,710**	**300,000**	**-**	-	**300,000**	-
USD 540.0m CAR facility due 2026	**384,823**	**399,081**			**399,081**	**-**
Trade and other payables	**1,593,896**	**1,593,896**	**1,519,507**	**74,237**	**152**	-
At 31 December 2021	**4,165,261**	**4,226,633**	**1,519,507**	**74,237**	**2,263,370**	**369,519**

31 December 2020	Carrying amount £000	Undiscounted amount £000	Within 12 months £000	Within 1-2 years £000	Within 2-5 years £000	More than 5 years £000
Term facilities due 2026	1,495,003	1,573,765	-	-	-	1,573,765
USD 500.0m PIK toggle notes due 2027	348,125	365,882	-	-	-	365,882
£300.0m CAR facility due 2026	41,061	50,000	-	-	-	50,000
Trade and other payables	654,555	654,555	640,083	8,131	6,341	-
At 31 December 2020	2,538,744	2,644,202	640,083	8,131	6,341	1,989,647

26 Hedge accounting

See the principal risks and uncertainties section in the Strategic Report with respect to the Group's exposure to foreign currency risk and interest rate risk, and how the Group mitigates those risks. Further details are provided below.

Derivatives

The Group has economic hedge relationships that mitigate foreign exchange risk arising from its USD borrowings and USD revenue. The Group also has economic hedge relationships that mitigate interest rate risk arising from its floating rate senior secured term loan that was entered into in July 2020. The Group applies hedge accounting for those hedge relationships that meet the hedge accounting criteria detailed in note 3. The Group manages all other risks associated with these exposures, such as credit risk, but it does not apply hedge accounting for those risks.

Derivatives are only used for hedging purposes. The Group has the following derivative financial instruments as at the end of the period:

	31 December 2021 £000	31 December 2020 £000
Non-current assets		
Derivatives hedging forecast revenue	**173**	446
Derivatives hedging borrowings	**-**	-
Current assets		
Derivatives hedging forecast revenue	**51**	3,098
Derivatives hedging borrowings	**1,227**	-
Current liabilities		
Derivatives hedging forecast revenue	**(2,224)**	-
Derivatives hedging borrowings	**(45,248)**	(508)
Non-current liabilities		
Derivatives hedging forecast revenue	**(1,936)**	-
Derivatives hedging borrowings	-	(50,735)
Net derivative financial instrument liabilities	**(47,957)**	(47,699)

See note 25 for information on fair values and the assumptions and methods used to measure fair value.

Derivatives hedging borrowings

The Group has USD forward contracts to hedge the foreign currency risk on USD 677.0m payments of principal and interest relating to USD 500.0m PIK toggle notes due 2027 that were issued in July 2020.

The Group entered into interest rate swaps that were designated as hedging instruments against the floating rate senior secured term loan (note 29). The interest rate swaps exchange a floating interest rate with a fixed interest rate and apply to interest incurred from 14 January 2021.

Derivatives hedging forecast revenue

The Group enters into forward contracts to mitigate the exposure resulting from certain USD revenue arising on the placement of premiums denominated in USD, which is not the presentation currency nor functional currency of the Group.

Based on forecast transactions, the Group effectively sells accumulated USD revenue by reference to individual brokerage transactions. The Group's track record in receiving USD revenue from long established clients provides a high degree of confidence that forecast transactions are highly probable for hedge accounting purposes.

26 Hedge accounting *(continued)*

Cash flow hedging reserves

The following table provides a reconciliation of components of equity resulting from applying cash flow hedge accounting to derivatives that mitigate foreign exchange risk and interest rate risk:

31 December 2021	Cash flow hedging reserve £000	Costs of hedging reserve £000
At 1 January 2021	**(2,446)**	**(3,218)**
Changes in fair value recognised via other comprehensive income		
Foreign currency risk – derivatives hedging forecast revenue	(3,751)	-
Foreign currency risk – derivatives hedging borrowings	2,176	2,420
Interest rate risk - derivatives hedging borrowings	1,583	(49)
Amounts reclassified to profit or loss		
Foreign currency risk – derivatives hedging forecast revenue	(2,987)	-
Foreign currency risk – derivatives hedging borrowings	79	1,127
Interest rate risk – derivatives hedging borrowings	679	333
	(2,221)	**3,831**
Tax on movements on reserves	422	(728)
At 31 December 2021	**(4,245)**	**(115)**

26 Hedge accounting *(continued)*

31 December 2020	Cash flow hedging reserve £000	Costs of hedging reserve £000
At 1 January 2020	1,128	678
Changes in fair value recognised via other comprehensive income		
Foreign currency risk – derivatives hedging forecast revenue	(1,283)	-
Foreign currency risk – derivatives hedging borrowings	(331)	(5,497)
Interest rate risk - derivatives hedging borrowings	(964)	(455)
Amounts reclassified to profit or loss		
Foreign currency risk – derivatives hedging forecast revenue	(280)	-
Foreign currency risk – derivatives hedging borrowings	(1,527)	1,163
	(4,385)	(4,789)
Tax on movements on reserves	811	893
At 31 December 2020	(2,446)	(3,218)

The gain/(loss) included in the statement of profit or loss and other comprehensive income during the year ending 31 December 2021 in relation to items designated as hedging instruments, including hedge ineffectiveness, were as follows:

	Derivatives hedging foreign currency risk		**Derivatives hedging interest rate risk**
31 December 2021	**Forecast revenue £000**	**Borrowings £000**	**Borrowings £000**
Amounts reclassified from other comprehensive income to profit or loss			
Commission and fees	**2,987**	-	-
Finance costs – interest expense and foreign exchange differences	-	**(79)**	**(679)**
Finance costs – cost of hedging	-	**(1,127)**	**(333)**
Amounts recognised directly in profit or loss			
Other operating costs – foreign exchange differences	**(342)**	-	-
Other operating costs - ineffectiveness	**(60)**	-	-
Finance costs - ineffectiveness	-	-	**80**
	2,585	**(1,206)**	**(932)**

26 Hedge accounting *(continued)*

	Derivatives hedging foreign currency risk		Derivatives hedging interest rate risk
31 December 2020	Forecast revenue £000	Borrowings £000	Borrowings £000
Amounts reclassified from other comprehensive income to profit or loss			
Commission and fees	280	-	-
Finance costs – interest expense and foreign exchange differences	-	(2,754)	-
Finance costs – costs of hedging	-	(1,163)	-
Finance costs – termination of hedge	-	4,281	-
Amounts recognised directly in profit or loss			
Other operating costs – foreign exchange differences	1,287	-	-
Other operating costs - ineffectiveness	123	-	-
Other operating costs - amounts excluded from hedge accounting	-	(1,766)	-
Finance costs - ineffectiveness	-	261	-
	1,690	(1,141)	-

The Group is exposed to interest rates, which are determined by reference to SONIA (previously LIBOR) and EURIBOR, to which it applies hedge accounting. The Group applied the amendments to IFRS 9 which allowed the Group to continue hedge accounting during the period of uncertainty arising from IBOR reforms. In assessing whether the hedge is expected to be highly effective on a forward-looking basis, the Group therefore assumed that the cash flows of the interest rate swaps and the hedged debt instruments are not altered by IBOR reform. The original LIBOR floating rate loan and original LIBOR interest rate swaps were modified so that the loan and swaps will reference a SONIA interest rate on each future interest reset date, and thus the Group no longer has exposure to LIBOR as at the reporting date. The Group has amended its hedge designations and documentation to reflect these changes.

26 Hedge accounting *(continued)*

The following table indicates the periods in which the undiscounted cash flows associated with the hedging instruments are expected to occur and the carrying amount of these hedging instruments:

31 December 2021	Carrying amount £000	Total £000	One to six months £000	Six to twelve months £000	One to two years £000	More than two years £000
Net settled Derivatives						
Derivatives hedging borrowings (interest rate swaps) - net cash outflows	1,209	(604)	(529)	(75)	-	-
Gross settled Derivatives						
Derivatives hedging borrowings (forward contracts) - cash inflows		500,787	-	500,787	-	-
Derivatives hedging borrowings (forward contracts) - cash outflows		(547,706)	-	(547,706)	-	-
Derivatives hedging borrowings (forward contracts) - net cash outflows	(45,231)	(46,919)	-	(46,919)	-	-
Derivatives hedging revenue (forward contracts) - cash inflows		146,003	35,319	37,023	59,539	14,122
Derivatives hedging revenue (forward contracts) - cash outflows		(150,300)	(36,324)	(38,249)	(61,672)	(14,055)
Derivatives hedging revenue (forward contracts) - net cash (outflows)/ inflows	(3,935)	(4,297)	(1,005)	(1,226)	(2,133)	67
	(47,957)	(51,820)	(1,534)	(48,220)	(2,133)	67

The terms of the interest rate swap include a floor to align with the terms of the floating rate privately placed term facility, which it hedges. The fair value of the interest rate swap includes the intrinsic value attributed to this floor.

26 Hedge accounting *(continued)*

31 December 2020	Carrying amount £000	Total £000	One to six months £000	Six to twelve months £000	One to two years £000	More than two years £000
Net settled Derivatives						
Derivatives hedging borrowings (interest rate swaps) - net cash outflows	(1,417)	(1,640)	-	(544)	(1,096)	-
Gross settled Derivatives						
Derivatives hedging borrowings (forward contracts) - cash inflows		493,848	-	-	493,848	-
Derivatives hedging borrowings (forward contracts) - cash outflows		(547,706)	-	-	(547,706)	-
Derivatives hedging borrowings (forward contracts) - net cash outflows	(49,826)	(53,858)	-	-	(53,858)	-
Derivatives hedging revenue (forward contracts) - cash inflows		120,276	34,615	44,439	22,787	18,435
Derivatives hedging revenue (forward contracts) - cash outflows		(116,890)	(33,306)	(42,681)	(22,583)	(18,320)
Derivatives hedging revenue (forward contracts) - net cash inflows	3,544	3,386	1,309	1,758	204	115
	(47,699)	(52,112)	1,309	1,214	(54,750)	115

26 Hedge accounting *(continued)*

At the reporting date the Group hedged its USD PIK toggle notes using forward contracts. Consequently, there is no net exposure to currency risk on the USD PIK toggle notes.

The Group does not currently use derivative contracts to hedge the currency risk on its €180.0m privately placed term facility or its USD 540.0m CAR facility, but there is a natural currency hedge with the Euro investments and with the USD investment in Ed Broking Group Limited. The translation differences arising on the foreign denominated borrowings are recognised within finance costs in the income statement, whereas the translation differences arising on the foreign operations are recognised in other comprehensive income, in the foreign currency translation reserve in equity.

A 10% strengthening (weakening) of GBP against the USD and EUR at the reporting date would have the following impact on the Group income statement and equity:

	31 December 2021 £000	31 December 2020 £000
10% strengthening in USD		
Income statement	**32,926**	-
Equity	**(421)**	-
10% weakening in USD		
Income statement	**(40,243)**	-
Equity	**514**	-
10% strengthening in EUR		
Income statement	**13,748**	-
Equity	**(12,169)**	(6,514)
10% weakening in EUR		
Income statement	**(16,803)**	-
Equity	**14,873**	7,962

The Group also entered into forward contracts on its USD forecast revenue with the Specialty segment, excluding USD revenues from Ed Broking Group Limited. A 10% strengthening (weakening) of the GBP against the USD at the reporting date would have the following impact on the Group's equity:

	31 December 2021 £000	31 December 2020 £000
Derivatives hedging revenue		
10% strengthening	**13,577**	10,614
10% weakening	**(16,594)**	(12,972)

The Group has entered into interest rate swaps on its £1,412.8m SONIA and €180.0m EURIBOR borrowings. A 50bps increase or decrease in the floating rates of interest would have the following impact on Group equity:

	31 December 2021 £000	31 December 2020 £000
Derivatives hedging interest rate		
50bps increase	**2,491**	892
50bps decrease	**(1,294)**	(72)

27 Trade and other payables

	31 December 2021 £000	31 December 2020 £000
Insurance creditors	**913,448**	433,928
Social security and other taxes	**20,567**	10,878
Other creditors	**44,248**	32,229
Related party creditors	**339,407**	51,901
Deferred consideration payable	**5,016**	-
Contingent consideration payable	**35,142**	14,819
Share buyout	**6,810**	13,530
Share based payment liabilities	**2,231**	4,123
Loan notes*	**16,540**	-
Deferred income	**354**	365
Accruals	**135,743**	78,158
Total current liabilities	**1,519,506**	639,931
Deferred consideration payable	**1,337**	-
Contingent consideration payable	**15,027**	6,295
Share buyout	**48,649**	2,753
Share-based payment liabilities	**4,685**	685
Other creditors	**4,692**	4,891
Total non-current liabilities	**74,390**	14,624

* On 11 June 2021, the Group purchased 3,262,071 Atlanta A shares in Atlanta Investment Holdings 3 Limited from minority shareholders, the consideration for which was 10,590,693 TAGL ordinary shares with a fair value of £22.3m and £16.0m of loan notes (which included pre-funded interest of £0.5m) redeemable over there years to 31 July 2023, such that the gross carrying amount of the debt on issue date is £16.5m.

Insurance creditors include an amount of £4.2m which provides for the estimated losses recoverable by the insurer for net premiums earned to date on those schemes with loss corridor arrangements. The estimated adjustment to revenue relating to the loss corridor that was recognised in 2020 on policies incepted prior to 2020 amounts to £1.3m reduction. This is due to re-estimation of amounts previously recognised.

The Directors consider the carrying amount of trade payables approximates to their fair value.

28 Employee benefits

Long-term incentive plans
The Group has a number of long-term incentive schemes. The amounts that will ultimately vest are dependent on achievement against various performance measures (including Group EBITDA and individual contribution targets) and/or service conditions. The incentives are paid to participants at the end of the relevant performance and/or service period.

Defined contribution pension schemes
Contributions by the Company into defined contribution schemes during the year were £17.6m (2020: £13.9m).

Defined benefit pension schemes
On 1 November 2021, the Group purchased the Ed Broking Group, which operates two unfunded defined benefit schemes in Germany (the 'German schemes') and one funded defined benefit scheme in the UK, the Cooper Gay (Holdings) Limited Retirement Benefits Scheme (the 'UK scheme'). The projected unit credit actuarial cost method has been used in determining the present value of the defined benefit obligation, the current service cost and, where applicable, past service cost.

Responsibility for governance of the UK plan, including investment decisions and contribution schedules, lies with trustees, who are required to consult Ed Broking Holdings (London) Limited, which is the only employer company that participates in the UK Scheme.

The Group cash contributions to the pension schemes are determined by reference to actuarial valuations undertaken by the schemes' actuaries at intervals not exceeding three years, and not by the provisions of IAS 19. These funding valuations can differ materially from the requirements of IAS 19. In particular the discount rate used to determine the value of liabilities under IAS 19 is determined by reference to the yield on high grade corporate bonds of comparable duration to the liabilities. In contrast, the discount rate used in the funding valuation is determined by reference to the yield on the schemes' current and projected future investment portfolio. The UK scheme operates under the terms of funding proposals that are reviewed by the relevant pension authority.

Full actuarial valuations were carried out as at December 2021 for the German Schemes and as at 31 December 2018 for the UK Scheme. In general, actuarial valuations are not available for public inspection, but the results of valuations are advised to the members of the scheme.

Description of Funding Arrangements and Funding Policy That Affect Future Contributions

All schemes are closed to new entrants.

The German Schemes are unfunded and as such no funding arrangements apply. One German scheme is closed whilst the other is open to future accrual.

The UK defined benefit scheme is open to future accrual. Where a funding valuation reveals a deficit in a scheme, the Group will generally agree a schedule of contributions with the Trustees designed to address the deficit over an agreed future time horizon. The triennial actuarial valuation of the UK Scheme was last carried out as at 31 December 2018, and a recovery plan of £1.92m per annum was agreed with the previous owners of the company, which runs to 31 July 2025. Pursuant to the sale and purchase agreement between the Group and the sellers, the sellers will continue to contribute towards this actuarial deficit until July 2025, or when the scheme is no longer in actuarial deficit. The Group has recognised a contingent consideration receivable on the balance sheet for the payments due from the seller. Expected employer contributions for the next financial year are £2.7m.

28 Employee benefits *(continued)*

Employee benefit plan risks
The employee benefit plans expose the Group to a number of risks, the most significant of which are:

Asset volatility: The plan liabilities are calculated using a discount rate set by reference to corporate bond yields. If assets underperform this yield this will create a deficit. The plans hold equities and other growth assets which, though expected to outperform corporate bonds in the long term, create volatility and risk in the short term. The allocation to growth assets is monitored to ensure that it remains appropriate given the plans' long-term objectives.

Discount rates: The discount rates employed in determining the present value of the schemes' liabilities are determined by reference to market yields at the balance sheet date on high-quality corporate bonds of a currency and term consistent with the currency and term of the associated post-employment benefit obligations. Changes in discount rates impact the quantum of the liabilities.

Inflation risk: Some of the Group pension obligations have an inflation linkage; higher inflation will lead to higher liabilities (although in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The rate of inflation is derived from the retail price index in the UK. The breakeven rate in the Eurozone is used for the basis for the German inflation assumption.

Longevity risk: In the majority of cases, the Group defined benefit schemes provide benefits for the life of the member, so increases in life expectancy will therefore give rise to higher liabilities.

The size of the obligation is sensitive to judgemental actuarial assumptions. These include demographic assumptions covering mortality, economic assumptions covering price inflation and benefit increases, together with the discount rate. The expected return on plan assets is also a key judgement.

The principal actuarial assumptions are as follows:

Key assumptions used	German schemes 31 December 2021	UK schemes 31 December 2021
Rate of increase in pension payments	**1.75%**	**3.50%**
Discount rate	**0.85%**	**1.95%**
Inflation rate (RPI)	**n/a**	**3.35%**
Inflation rate (CPI)	**1.75%**	**2.90%**

Assumptions regarding future mortality experience are set based on information from published statistics and experience in all geographic regions, and they are selected to reflect the characteristics and experience of the membership of the relevant plans. In relation to the UK, this has been done by adjusting standard mortality tables to reflect recent research into mortality experience in the respective regions combined with an allowance for improvement factors. The average life expectancy, in years, of a pensioner retiring at 65 is as follows:

Key assumptions used	German schemes 31 December 2021 Years	UK schemes 31 December 2021 Years
Males	**21**	**24**
Females	**24**	**25**

28 Employee benefits *(continued)*

Amounts recognised in profit or loss in respect of these defined benefit schemes are as follows:

	German schemes		UK schemes	
	31 December 2021 £000	31 December 2020 £000	**31 December 2021 £000**	31 December 2020 £000
Current service cost	-	-	**(39)**	-
Interest income on plan assets	-	-	**198**	-
Interest expense on pension obligation	**(15)**	-	**(182)**	-
Components of defined benefit costs recognised in profit or loss	**(15)**	-	**(23)**	-

The interest expense has been included within finance costs (note 8), the interest income is included within finance income (note 8), and the return on plan assets (other than the interest income) and other remeasurement of the net pension obligation is included in other comprehensive income.

Analysis of amount recognised in other comprehensive income (OCI)

	German schemes		UK schemes	
	31 December 2021 £000	31 December 2020 £000	**31 December 2021 £000**	31 December 2020 £000
Actual return on assets excluding amounts included in net interest	-	-	**409**	-
Actuarial gains on scheme obligations	**103**	-	**548**	-
Remeasurement gain recognised in OCI	**103**	-	**957**	-

The amounts included in the statement of financial position arising from the Group obligations in respect of its defined benefit pension scheme are as follows:

	German schemes 31 December 2021 £000	**UK schemes 31 December 2021 £000**	**Total 31 December 2021 £000**	Total 31 December 2020 £000
Present value of defined benefit obligations	**(10,926)**	**(59,075)**	**(70,001)**	-
Fair value of scheme assets	-	**65,241**	**65,241**	-
Net surplus/(deficit) recognised in the statement of financial position	**(10,926)**	**6,166**	**(4,760)**	-
Presented as				
Defined benefit pension asset*	-	**6,166**	**6,166**	-
Defined benefit pension obligation	**(10,926)**	-	**(10,926)**	-

* The value of a net pension benefit asset is the value of any amount the Group reasonably expects to recover by way of refund of surplus from the remaining assets of a plan at the end of the plan's life.

28 Employee benefits *(continued)*

Movements in the present value of defined benefit obligations were as follows:

	German schemes 2021	UK schemes 2021	Total 2021	Total 2020
As at 1 November	(11,132)	(59,702)	(70,834)	-
Current service cost	-	(39)	(39)	-
Interest expense	(15)	(182)	(197)	-
Actuarial gain on financial assumptions	148	678	826	-
Actuarial gain on demographic assumptions	-	320	320	-
Actuarial loss on experience	(45)	(450)	(495)	-
Effect of changes in foreign exchange rates	51	-	51	-
Benefits paid	67	300	367	-
Defined benefit obligation as at 31 December	(10,926)	(59,075)	(70,001)	-

Movements in the fair value of plan assets were as follows:

	2021 £000	2020 £000
As at 1 November	64,587	-
Interest income	198	-
Employer contributions	346	-
Actual return on plan assets (excluding interest income)	410	-
Benefits paid	(300)	-
Fair value of plan assets as at 31 December	65,241	-

The aggregation of the pension surplus on the UK scheme and the pension obligation on the German schemes, before related deferred tax, reduced to £(4.8)m at 31 December 2021 from £(6.2)m at 1 November 2021.

The fair value of total plan assets relating to the Group's defined benefit pensions schemes increased to £65.2m at 31 December 2021 from £64.6m at 1 November 2021.

The UK defined benefit pension scheme plan is open to future accrual but closed to new entrants.

The salaries upon which UK members earn pension benefits was frozen by the company following a benefit change on 1 January 2007 and has not increased since then (and will not increase in future).

28 Employee benefits *(continued)*

Maturity analysis

The maturity analysis for the German and UK schemes in aggregate, is set out in the table below:

Expected payment benefits	Projected amounts £000
Within one year	2,096
Between one and two years	2,205
Between two and three years	2,231
Between three and four years	2,232
Between four and five years	2,499
Between five and ten years	13,981
Between ten and fifteen years	14,388
Between fifteen and twenty years	13,817
	53,449

The weighted average duration of the UK defined benefit obligation is 17 years, and for the German schemes it is 13 years.

Sensitivity of Pension Liability to Judgemental Assumptions

		Impact on Scheme Liabilities		
Assumptions	Change in assumption	German Schemes £000	UK Schemes £000	Total £000
Discount rate increases	If discount rate was 50bp higher, defined benefit obligation would decrease by:	687	4,678	5,365
Discount rate decreases	If discount rate was 50bp lower, defined benefit obligation would increase by:	(760)	(5,316)	(6,076)
Inflation increase	Inflation increases by 25bp	(350)	(697)	(1,047)
Inflation decrease	Inflation decreases by 25bp	335	543	878
Rate of mortality	Members assumed to live 1 year longer	(543)	(2,658)	(3,201)
Rate of mortality	Members assumed to live 1 year less	543	2,658	3,201

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. The sensitivity analysis intends to provide assistance in understanding the sensitivity of the valuation of pension liabilities to market movements in discount rates, inflation rates and mortality assumptions for scheme beneficiaries.

The UK trustees invest the funds in a range of assets with the objective of maximising the fund return with a view to containing the cost of funding the scheme whilst at the same time maintaining an acceptable risk profile. In assessing the risk profile, the Trustees take account of the nature and duration of the liabilities. Approximately 52% of the UK funds are invested in liability matching investments with the UK Scheme having hedged broadly 90% of its interest and inflation risk (when measured on a gilts basis). The trustees review investment strategy regularly.

28 Employee benefits *(continued)*

The major categories and fair values of the UK scheme's assets as at 31 December 2021 for each category are as follows:
:

	31 December 2021 £000	31 December 2020 £000
Equity instruments		
Cash	**6,503**	-
Equity instruments	**4,775**	-
Debt instruments	**11,445**	-
Investment funds	**34,076**	-
Other	**8,442**	-
Gross scheme assets	**65,241**	-

Actuarial gains and losses and the associated movement in deferred tax are recognised in retained income via the Statement of Profit or Loss and Other Comprehensive Income.

29 Borrowings

	31 December 2021 £000	31 December 2020 £000
Interest payable	**72,343**	46,909
Other borrowings	**60**	-
Total current borrowings	**72,403**	46,909
Interest payable	**24,443**	38,164
Term facilities due 2026	**1,500,479**	1,495,003
USD 500.0m PIK toggle notes due 2027	**398,353**	348,125
£300.0m CAR facility due 2026	**287,710**	41,061
USD 540.0m CAR facility due 2026	**384,823**	-
Loans from related parties	**16,573**	-
Other borrowings	**6,855**	-
Total non-current borrowings	**2,619,236**	1,922,353

29 Borrowings *(continued)*

The borrowings comprise the following (excluding interest payable):

				31 December 2021			31 December 2020	
Date issued	Currency	Nominal interest rate*	Year of maturity	Face value EUR/USD/£000	Face value including PIK interest EUR/USD/£000	Carrying amount £000	Face value EUR/USD/£000	Carrying amount £000
14.07.2020	GBP	6.75%	2026	1,412,838	1,445,074	1,355,233	1,412,838	1,342,120
14.07.2020	EUR	6.75%	2026	180,000	184,164	145,246	180,000	152,883
14.07.2020	USD	11.50%	2027	500,000	565,970	398,353	500,000	348,125
22.10.2020	GBP	6.75%	2026	300,000	302,070	287,710	50,000	41,061
28.10.2021	USD	5.50%	2026	540,000	540,000	384,823	-	-
Total						2,571,365		1,884,189

* The nominal interest rates stated are the margins (which for the term facilities due 2026 adjust based on leverage) and exclude payment in kind (PIK) premiums on the borrowings (that are enacted at the request of the borrower) and exclude floating rate floors of 0.75% for the GBP and USD borrowings and 1.00% for the EUR borrowings applicable to the term facilities due 2026. At the previous year end it was the intention of Management to enact the PIK option meaning the carrying amount of borrowings has taken this into account when calculating the effective interest rate, and in January 2021 the options were exercised.

There was an amendment to the terms of the term facilities due 2026 debt arrangements on 19 August 2021, reducing the margin on the term facilities due 2026 by 0.25% to the nominal interest rates set out in the table above and removing the PIK option from these facilities. This was accounted for as a modification as the cash flows of the amended debt compared to the remaining cash flows of the original debt were, when both were discounted using the original effective interest rate, less than 10% different, such that it was concluded that the amendment did not constitute a substantial change to the debt arrangements. A £20.7m modification gain has been recognised in the income statement, within finance costs, and the carrying amount of the debt has been adjusted accordingly.

On 18 November 2021, the margins on the term facility due 2026 were further reduced by 0.50% due to change to the consolidated senior net leverage ratio. This reduction is not a change in market interest rates (it is specific to the Group) and thus has been accounted for by adjusting the carrying amount of the debt to reflect the revised estimated cash flows using the original effective interest rate. A £23.4m gain has been recognised in the income statement, within finance costs.

Interest is payable on the notes in January and July of each year.

The Group hedges its foreign currency exposure from the USD 500.0m PIK toggle notes due 2027 as described in note 26.

29 Borrowings *(continued)*

The fair value of the Term facilities due 2026, USD 500.0m PIK toggle notes due 2027 and the CAR facilities due 2026 as at 31 December 2021, which is categorised within level 2 of the fair value hierarchy and is given for disclosure purposes only, is estimated as follows:

	Carrying amount £000	Fair value £000
£1,412.8m Term facility due 2026	**1,355,233**	**1,561,186**
EUR 180.0m Term facility due 2026	**145,246**	**167,185**
USD 500.0m PIK toggle notes	**398,353**	**408,319**
£300.0m CAR facility due 2026	**287,710**	**331,500**
USD 540.0m CAR facility due 2026	**384,823**	**440,984**
Borrowings as at 31 December 2021	**2,571,365**	**2,909,174**

On 19 August 2021, an additional Capex, Acquisition and Re-organisation facility ('CAR upsize') of £164.3m (drawable in GBP, Euros or USD) was agreed with the lenders of the Group privately placed term loan facility due 2026.

This facility is not drawn at the date of this report.

30 Current tax and deferred tax

The analysis of current tax assets and current tax liabilities is as follows:

	31 December 2021 £000	31 December 2020 £000
Corporation tax payable	**(5,777)**	(1,811)
Overseas corporation tax payable	**(1,937)**	1,145
	(7,714)	(666)

The movement in deferred tax balances during the year is as follows:

2021 - Temporary difference	Net balance at 1 January £000	Recognised in profit or loss £000	Recognised in OCI £000	Other movement £000	Acquired in business combination £000	Net balance at 31 December £000	Deferred tax assets £000	Deferred tax liabilities £000
Property, plant and equipment	31,193	8,879	-	-	-	40,072	40,072	-
Tax losses	10,451	22,999	-	-	-	33,450	33,450	-
Interest restriction	16,677	4,026	-	-	-	20,703	20,703	-
Derivatives	1,383	-	(306)	-	-	1,077	1,077	-
Other	913	(2,849)	-	971	-	(965)	-	(965)
Intangible assets	(71,206)	(494)	-	-	(77,126)	(148,826)	-	(148,826)
	(10,589)	**32,561**	**(306)**	**971**	**(77,126)**	**(54,489)**	**95,302**	**(149,791)**

30 Current tax and deferred tax *(continued)*

2020 - Temporary difference	Net balance at 1 January £000	Recognised in profit or loss £000	Recognised in OCI £000	Acquired in business combination £000	Net balance at 31 December £000	Deferred tax assets £000	Deferred tax liabilities £000
Property, plant and equipment	25,614	5,577	-	-	31,193	31,193	-
Tax losses	23,878	(13,427)	-	-	10,451	10,451	-
Interest restriction	22,452	(5,775)	-	-	16,677	16,677	-
Derivatives	(321)	-	1,704	-	1,383	1,383	-
Other	6,539	(5,626)	-	-	913	913	-
Intangible assets	(55,477)	3,796	-	(19,525)	(71,206)	-	(71,206)
	22,685	(15,455)	1,704	(19,525)	(10,589)	60,617	(71,206)

30 Current tax and deferred tax *(continued)*

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable based on the profit forecasts for the Group.

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.

The Group did not recognise deferred income tax assets (with no expiry date) in respect of deductible temporary differences as follows:

	31 December 2021 £000	31 December 2020 £000
Fixed assets	**5,771**	3,738
General provisions	**3,305**	2,352
Tax losses	**64,805**	40,991
Unrecognised deferred tax assets	**73,881**	47,081

The Group had carried forward unrecognised tax losses of £259.2m (2020: £215.7m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Provisions

The Group held the following provisions as at 31 December 2021:

	ETV £000	Run off £000	LTIP £000	Litigation matters £000
At 1 January 2021	18,925	771	1,355	3,020
Additional provisions made during the year	6,241	534	149	2,976
Transferred to other debtors/creditors	-	-	-	-
Business combinations	-	-	234	2,129
Utilised during the year	(23,511)	(1,305)	(1,091)	(1,344)
Unused amounts reversed during the year	(21)	-	(477)	(457)
Unwind of discount	-	-	-	-
Foreign exchange movement	-	-	(1)	-
At 31 December 2021	1,634	-	169	6,324

	Future renewal scheme £000	Property £000	Branch closure £000	Other £000	Total £000
At 1 January 2021	6,576	10,212	147	1,216	42,222
Additional provisions made during the year	708	2,877	41	94	13,620
Transferred to other debtors/creditors	(878)	-	-	216	(662)
Business combinations	-	1,507	-	873	4,743
Utilised during the year	-	(1,741)	(109)	(615)	(29,716)
Unused amounts reversed during the year	-	(438)	-	(178)	(1,571)
Unwind of discount	-	35	-	-	35
Foreign exchange movement	-	(6)	-	(10)	(17)
At 31 December 2021	6,406	12,446	79	1,596	28,654

The Group discounts provisions to their present value, where appropriate. The unwinding of the provision discounting is included as an interest charge within finance costs in the income statement.

Analysis of total provisions	31 December 2021 £000	31 December 2020 £000
To be utilised in more than one year	16,282	13,863
To be utilised within one year	12,372	28,359
	28,654	42,222

31 Provisions *(continued)*

Enhanced Transfer Values (ETV) and run off costs provision
As reported previously, certain subsidiaries within the Group have obligations to make redress payments in respect of past pension transfer advice. The provision at 31 December 2021 is £1.6m. The redress programme is nearing conclusion.

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

Property provision
Onerous lease £1.7m
This provision provides for costs incurred on vacant properties, excluding rent costs (which are subject to lease accounting).

Dilapidations £10.8m
This provision provides for the estimated amounts payable for dilapidations on each property at the end of the lease term.

Future renewal scheme
The provision for the future renewal scheme was recognised as part of the acquisition of Nevada Investment Holdings 2 Limited in 2019. It represents the estimated costs to be paid to appointed representatives that meet certain eligibility criteria under a contract termination scheme introduced by the acquiree and is based on the amount that would be receivable by each appointed representative in respect of their portfolio if they remain active as an appointed representative.

Amounts are paid to appointed representatives over a period of four years from when the eligibility criteria under the scheme are met and they cease to act as an appointed representative. The amount paid is dependent on factors such as the size of the portfolio of the appointed representative and the rate of renewal commission on the underlying policies.

When the retirement of an appointed representative is agreed, the related liability is transferred to other creditors (within trade and other payables).

Branch closure
This provision relates to the cost of closing branches by The Swinton Group, excluding rent costs (which are subject to lease accounting).

Other provision
The other provision balance at 31 December 2021 includes a £1.1m restructuring provisions for onerous contracts.

32 Share capital

	Number of shares (thousands)	Ordinary shares £000	Total £000
At 1 January 2021	**68,888,488**	**688,885**	**688,885**
At 31 December 2021	**69,478,804**	**694,788**	**694,788**
At 1 January 2020	58,723,520	587,235	587,235
At 31 December 2020	68,888,488	688,885	688,885

Ordinary shares

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

33 Share-based payments

Equity-settled share-based payment schemes:

The Group operated the 'Ardonagh MIP' and 'Atlanta MIP' in 2019 and through part of 2020, which were equity-settled share-based payment arrangements. These were replaced in 2020 by B ordinary shares of The Ardonagh Group Limited (TAGL Ordinary B shares), which are accounted for as an equity-settled share-based payment arrangement that modifies the existing arrangements and results in no incremental fair value at the modification date. The new Ardonagh MIP, comprising the Tier 1 arrangements and the Employee Growth Plan (EGP) scheme, were also issued in 2020, both of which are equity-settled share-based payment schemes with the corresponding shares being the MIP A and MIP B shares respectively.

The fair value of the services received in exchange for the grant of the shares is recognised as an expense, measured based on the grant date fair value of the shares and recognised on a straight-line basis over the vesting period.

The TAGL Ordinary B shares and various MIP shares have no dividend or voting rights and can only be sold in limited circumstances. The Ardonagh and Atlanta MIP shares were granted in exchange for the nominal subscription price of £0.01 per share, whilst the subsequent EGP and Tier 1 arrangements were granted at fair value. They are convertible to ordinary shares of the Group on the occurrence of a crystallisation event, being the earlier of a liquidity event, an IPO and a winding-up. The Group has the option to repurchase shares if an employee leaves the Group prior to the occurrence of a crystallisation event, for an amount that depends on whether the employee is a 'good leaver' or 'bad leaver'.

On 25 October 2021, the TAGL Tier 1 arrangements and Employee Growth Plan ('EGP') were modified by exchanging MIP A and MIP B shares held by employees for TAGL Ordinary B shares. In introducing the modification, the Group have acquired all of the MIP A and MIP B shares previously held by employees in exchange for issuing a total of 39,405,713 TAGL B Ordinary shares, which hold no voting rights and the value of which is impacted by leaver provisions that are attached to them. Also, on 26 October 2021, 55,050,994 of the TAGL Ordinary B shares that were held by employee minority shareholders and other individuals providing services to the Group were sold by those shareholders to a majority shareholder of the Group, and those TAGL Ordinary B shares were then exchanged for an equivalent number of ordinary shares in the TAGL.

The number of shares held by employees or third parties under equity-settled share-based payment arrangements is as follows:

Number of shares 2021	**1 January 2021**	**Granted**	**Forfeited**	**Bought back**	**31 December 2021**
Ordinary B shares	**65,529,725**	**42,277,949**	**(1,752,091)**	**(55,050,994)**	**51,004,589**
Deferred shares	**124,970**	**-**	**-**	**(124,970)**	**-**
MIP A shares	**76,811**	**16,535**	**-**	**(93,346)**	**-**
MIP B shares	**2,503,512**	**2,740,856**	**-**	**(5,244,368)**	**-**

Number of shares 2020	1 January 2020	Granted	Forfeited	Bought back	31 December 2020
Ardonagh MIP	117,820	2,842	3,239	(123,901)	-
Atlanta MIP C shares	95,441	-	-	(95,441)	-
Atlanta MIP D shares	55,487	-	-	(55,487)	-
Ordinary B shares	-	105,877,264	-	(40,347,539)	65,529,725
Deferred shares	-	124,970	-	-	124,970
MIP A shares	-	76,811	-	-	76,811
MIP B shares	-	2,503,512	-	-	2,503,512

33 Share-based payments *(continued)*

The grant date fair value of the scheme is calculated using a Black Scholes model, which includes discounts for the opportunity cost of equity and lack of control. The weighted-average fair value of shares granted during the period and the significant inputs used in the measurement of fair value were as follows:

	Ordinary B shares		MIP A shares		MIP B shares	
Shares fair value	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Weighted average fair value (per share)	**£2.85**	**£2.10**	**-**	**£20.86**	**-**	**£0.02**
Significant inputs:						
Equity value of issuing entity (£m)	**2,673**	**1,852**	**-**	**1,852**	**-**	**1,852**
Time discount	**n/a**	**n/a**	**n/a**	**0.05%**	**n/a**	**0.05%**
Volatility	**n/a**	**n/a**	**n/a**	**23%**	**n/a**	**23%**

The total expense recognised for share-based payments is £7.4m (2020: £3.2m), comprising £1.2m (2020: £1.4m) in relation to equity-settled share-based payment schemes and £6.2m (2020: £1.8m) in relation to cash-settled share-based payment schemes.

Cash-settled share-based payment schemes:

The Group operates cash-settled share-based payment schemes under which employees hold shares in some of the Group's subsidiaries that entitle them to put those shares back to the Group for a cash amount that is based on the value of the shares. The shares track the value of certain businesses in the Group within the Ardonagh Specialty operating segment. The fair value of the liability is estimated based on multiples of forecast Adjusted EBITDA of the businesses whose values the shares track.

The number of shares held by employees under these schemes are as follows:

	Number of shares
Outstanding at 1 January 2021	**70,000**
Bought back during the year	**(25,000)**
Outstanding at 31 December 2021	**45,000**

The Group recognises a liability for its obligation to settle these share-based payments in cash, where that liability is measured at the reporting date as the accrued portion of the fair value by reference to the vesting period. The Group recognised an employee expense of £6.2m in the year ended 31 December 2021 (2020: £1.8m), and the liability as at 31 December 2021 was £6.9m (2020: £4.8m). £4.7m of this liability is considered to be fully vested as at 31 December 2021.

34 Contingent liabilities, assets and commitments

Guarantees

On 14 July 2020, the Group issued new borrowings, with Ardonagh Midco 2 Plc issuing USD 500.0m payment-in-kind (PIK) toggle notes due 2027, and Ardonagh Midco 3 Plc entering into a privately placed term loan facility due 2026 of £1.575 billion comprising £1.413 billion denominated in GBP and €180.0m denominated in Euros. A fully drawn £300.0m Capex, Acquisition and Re-organisation (CAR) facility due 2026 and a £191.5m revolving credit facility (RCF) due 2026 were also issued on 14 July 2020.

On 19 August 2021, an additional Capex, Acquisition and Re-organisation facility (CAR upsize) of £164.3m (drawable in GBP, Euros or USD) and USD 540.0m was agreed with the lenders of the Group's privately placed term loan facility due 2026. On 28 October 2021, the USD 540.0m facility on the CAR upsize was fully drawn to fund acquisitions. Both the £164.3m and £191.5m RCF were fully available at 31 December 2021, as well as at the date of this report.

On 5 October 2018, a letter of credit of £50.0m was issued for the benefit of specified entities within the Group solely to provide credit support in respect of potential redress liabilities relating to the sale of certain enhanced transfer value (ETV) products. This letter of credit facility was reduced to £28.0m on 8 September 2020 as a result of outstanding ETV liabilities having reduced as ETV settlements have been made.

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 USD 500m Senior Unsecured Notes, with Ardonagh Midco 3 Plc being the Issuer of the private debt and a guarantor of the public notes. The Group has also provided limited recourse share charges in favour of the lenders in respect of the following group companies:

Arachas Corporate Brokers Limited

Ardonagh Advisory Holdings Limited

Ardonagh Specialty Holdings Limited

Paymentshield Limited

Price Forbes & Partners Limited

Atlanta Insurance Intermediaries Limited (formerly Swinton Group Limited)

Advisory Insurance Brokers Limited (formerly Towergate Underwriting Group Limited)

Atlanta Investment Holdings 3 Limited

Nevada 5 Topco Limited

Contractual obligations

The following table summarises material commitments as of 31 December 2021 that are not recognised as a liability in the statement of financial position:

	Less than one year £000	One to five years £000	More than five years £000	Total £000
Contractual commitments	893	-	-	893
	893	-	-	893

The total contractual commitments in the above table relates to capital expenditure on intangible assets.
The Group has no contingent liabilities as at 31 December 2021.

34 Contingent liabilities, assets and commitments *(continued)*

Parental guarantee exemption

The Company has provided a guarantee for all outstanding liabilities as at 31 December 2021 of the subsidiaries listed below, until those liabilities are satisfied in full. The named subsidiaries are therefore exempt, in accordance with section 479A of the Companies Act 2006, from the requirement to obtain an audit of their separate financial statements.

Companies House No:	Legal Entity	Companies House No:	Legal Entity
13292978	Alpha Investment Holdings Limited	12131966	Ink Investment Holdings Limited
06523951	Antur (West Wales) Limited	06179163	JIB Insurance Brokers Limited
04194472	Antur Insurance Services Limited	10854189	Links Investment Holdings Limited
10583874	Arachas Topco Limited	10095593	Lunar 101 Limited
11550030	Ardonagh Advisory Holdings Limited	03016409	Managing Agents Reference Assistance Services Limited
12935253	Ardonagh Overseas Investments Limited	08676228	Marmalade Limited
05938669	Arista Insurance Limited	01393740	Mastercover Insurance Services Limited
12217095	Aspalls Investment Holdings Limited	01151104	Moffatt & Co Limited
10162225	Atlanta Investment Holdings 3 Limited	02726573	Morgan Law (Holdings) Limited
10983743	Atlanta Investment Holdings A Limited	02696420	Morgan Law Limited
11581827	Atlanta Investment Holdings B Limited	11168479	Nevada Investment Holdings 3 Limited
13151100	Atlanta Investment Holdings D2 Limited	10737611	Nevada Investment Holdings 5 Limited
13151012	Atlanta Investment Holdings D3 Limited	10738036	Nevada Investment Holdings 6 Limited
13151029	Atlanta Investment Holdings D4 Limited	10738214	Nevada Investment Holdings 7 Limited
13151058	Atlanta Investment Holdings D5 Limited	10674667	Nevada Investments 1 Limited
13151059	Atlanta Investment Holdings D6 Limited	10674839	Nevada Investments 2 Limited
10162605	Atlanta Investment Holdings Limited	10675029	Nevada Investments 3 Limited
11580858	Atlanta Investment Holdings Midco B Limited	10674705	Nevada Investments 4 Limited
05216189	B.I.B. (Darlington) Acquisitions Limited	10674827	Nevada Investments 5 Limited
01600910	B.I.B. (Darlington) Limited	10675067	Nevada Investments 6 Limited
02321506	B.I.B. Underwriters Limited	10735121	Nevada Investments 7 Limited
05216169	B.I.B.U. Acquisitions Limited	10735273	Nevada Investorco Limited
10631288	Berry Investment Holdings Limited	13207645	Nevada Partners Limited
05277286	Besso Special Groups Limited	05919794	Paymentshield Group Holdings Limited
05277247	Besso Transportation Limited	05131340	Paymentshield Holdings Limited
05570088	Bishop Skinner Acquisitions Limited	10112351	Paymentshield Services Limited
06665655	Bishop Skinner Insurance Brokers Holdings Limited	09807404	PFP Tax Services Limited
10124466	Bravo Investment Holdings 2 Limited	07695429	Purely Insurance Limited
12061209	Bravo Investment Holdings 4 Limited	09917435	RDG Midas Holdings (NI) Limited
05044510	Broker Network Holdings Limited	12063985	Rock Overseas Investment Holdings Limited
03299980	Chase Templeton Limited	11201601	Sea Investment Holdings Limited
01992860	Countrywide Insurance Management Limited	06434639	SIB (Holdings) Limited
05587424	Cullum Capital Ventures Limited	10904595	Stamford Investment Holdings Limited
NI045854	Dawson Whyte Limited	01741892	Swinton (Holdings) Limited
11285573	Eddie Investment Holdings Limited	06189756	Towergate Risk Solutions Limited
04849648	Four Counties Insurance Brokers Limited	05030455	Townfrost Limited
05241217	Fusion Insurance Services Scandinavia Limited	08183121	URIS Topco Limited
02190136	Geo Service Solutions Limited	07654964	Usay Group Ltd
05555838	Geo Specialty Group Holdings Limited	10277006	Verulam Holdings Limited
10623655	Geo Specialty Liability Limited	11131240	Woodland Investment Holdings Limited
11029731	Hawkwood Investment Holdings Limited	11234259	Yale Investment Holdings Limited
06424515	Headley Holdings Limited	02103848	Millennium Insurance Brokers Limited

35 Related party transactions

During the year, the Group purchased shares from non-controlling interests (note 17).

On 23 February 2021, the Group granted a loan facility on arm's length commercial terms of up to £13.0m and associated commitments to a related party of the Group to fund a business combination to be made by that related party. In connection with the agreement to grant the loan facility, the Group also entered into an agreement to provide indemnity coverage in respect of certain costs and liabilities for which the related party may become liable in relation to that investment or otherwise incur in connection with the business combination, although these are not expected to arise on the basis of due diligence and the business plan for the relevant business.

On 20 July 2021, the Group granted a convertible loan facility on arm's length commercial terms of up to £55.2m to a related party of the Group to fund a business combination to be made by that related party. The related party drew down £35.6m of the facility on the same date. On various dates between September 2021 and December 2021 the related party drew down a further £10.3m from the convertible loan facility. On 29 July 2021, the entity acquired by that related party was granted an extension on a separate additional £15.0m loan payable to the Group. That loan was repayable to the Group in August 2021 and extended on the same terms until November 2021. A further £0.5m was drawn down in September 2021. £7.5m was repaid in December 2021 and at year end this loan is repayable on demand.

On 3 September 2021, the Group issued 350,000 preference shares of nominal amount £0.01 each to existing shareholders in exchange for £343.0m cash, which represented a £7.0m discount on the principal amount (note 32).

On 26 October 2021, the Group sold 823,757 B ordinary shares to a related party for £2.4m.

On 26 October 2021, 55,050,994 of the TAGL Ordinary B shares that were held by a majority shareholder of the Group, were exchanged for an equivalent number of ordinary shares in the Company.

On 22 December 2021, the Group granted a convertible loan facility on arm's length commercial terms of £15.2m to a related party of the Group to fund investment in an associate to be made by that related party. The related party drew down the facility on the same date.

Directors' loans
Loans to directors were brought into the Group as a result of the purchase of Nevada Investment Topco Limited (Nevada) on 22 June 2017. The carrying amount of the Directors' loans held on the Group's balance sheet at 31 December 2021 was £1.2m (2020: £1.2m).

There are loans to directors because loans were advanced to employees (which included directors on the same terms) to purchase shares under the Ardonagh Group Limited Management Incentive Plan.

Ultimate parent company
The Ardonagh Group Limited is the Company's ultimate parent company and the highest level at which results are consolidated. The Ardonagh Group Limited's majority shareholder is HPS Investment Partners LLC.

36 Group undertakings

The following were Group undertakings at 31 December 2021. Unless otherwise shown, the capital of each company is wholly-owned ordinary shares and the principal country of operation is the country of incorporation/registration.

Company	Share-holding	Registered office address	Country of incorporation	Nature of holding
4C Platform.com Limited	100%	Usay House, 5 Hercules Court Lakeside Business Park, Broadway Lane, South Cerney, Cirencester, Gloucestershire, GL7 5XZ	England	Ordinary
ABC Insurance Services Limited	100%	8-11 Crescent, London, EC3N 2LY	England	Ordinary
AccuRisk Ancillary Solutions LLC	100%	10 So LaSalle Street, Suite 2350, Chicago IL 60603	USA	Ordinary
AccuRisk Holdings LLC, FEIN	100%	10 So LaSalle Street, Suite 2350, Chicago IL 60603	USA	Ordinary
AccuRisk Solutions LLC	100%	10 So LaSalle Street, Suite 2350, Chicago IL 60603	USA	Ordinary
AccuRisk Solutions of New England LLC	100%	10 So LaSalle Street, Suite 2350, Chicago IL 60603	USA	Ordinary
AccuRisk Solutions of Texas LLC	100%	10 So LaSalle Street, Suite 2350, Chicago IL 60603	USA	Ordinary
AccuRisk Solutions of Texas Nonsubscriber INC	100%	111 Belt Line Road, Suite 203, Garland TX 75040	USA	Ordinary
Alan B. Kidd & Company Limited	100%	9 Eastgate Avenue, Eastgate Business Park, Little Island Co Cork, Little Island, Cork, T45 YN92	Ireland	Ordinary
Alpha AA JV LLC	80%	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington New Castle County DE 19801,	USA	Member units
Alpha Bidco LLC	100%	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington New Castle County DE 19801,	USA	Member units
Alpha Investment Holdings Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Antur (West Wales) Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Antur Insurance Services Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary & preference
Arachas Bidco Designated Activity Company	100%	9 Eastgate Avenue, Eastgate Business Park, Little Island Co Cork, Little Island, Cork, T45 YN92	Ireland	Ordinary

36 Group undertakings *(continued)*

Company	Share-holding	Registered office address	Country of incorporation	Nature of holding
Arachas Corporate Brokers Limited	100%	9 Eastgate Avenue, Eastgate Business Park, Little Island Co Cork, Little Island, Cork, T45 YN92	Ireland	Ordinary
Arachas Midco Designated Activity Company	100%	9 Eastgate Avenue, Eastgate Business Park, Little Island Co Cork, Little Island, Cork, T45 YN92	Ireland	Ordinary
Arachas Topco Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Ardonagh Advisory Holdings Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Ardonagh Alpha Holdco, LLC	100%	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington New Castle County DE 19801	USA	Member unit
Ardonagh Australia Pty Ltd	75%	Dickfos Dunn, 22 Garden Street, Southport QLD 4215, Australia	Australia	Ordinary
Ardonagh Bidco Pty Ltd	100%	Dickfos Dunn, 22 Garden Street, Southport QLD 4215, Australia	Australia	Ordinary
Ardonagh Corporate Secretary Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Ardonagh Data Services Limited	100%	9 Eastgate Avenue, Eastgate Business Park, Little Island Co Cork, Little Island, Cork, T45 YN92	Ireland	Ordinary
Ardonagh Europe Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Ardonagh Finco plc	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Ardonagh Global Partners Investment Holdings 1 Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Ardonagh Investments 2 Limited	100%	44 Esplanade, St. Helier, Jersey, JE4 9WG	Jersey	Ordinary
Ardonagh Investments Limited	100%	44 Esplanade, St. Helier, Jersey, JE4 9WG	Jersey	Ordinary

36 Group undertakings *(continued)*

Company	Share-holding	Registered office address	Country of incorporation	Nature of holding
Ardonagh Midco 3 plc	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Ardonagh Midco Pty Ltd	100%	Dickfos Dunn, 22 Garden Street, Southport QLD 4215	Australia	Ordinary
Ardonagh Overseas Investments Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Ardonagh Services Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary & deferred
Ardonagh Specialty Employment Services Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Ardonagh Specialty Europe NV	100%	Bastion Towers, 5 Place du Champ du Mars, Brussels 1050	Belgium	Ordinary
Ardonagh Specialty Holdings 2 Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Ardonagh Specialty Holdings 3 Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Ardonagh Specialty Holdings Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Arista Insurance Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Arthur Marsh & Son Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Aspalls Investment Holdings Limited	68%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary & preference
Atlanta Insurance Intermediaries Limited	100%	Embankment West Tower, 101 Cathedral Approach, Salford, M3 7FB	England	Ordinary
Atlanta Investment Holdings 2 Limited	100%	Autonet Insurance, Nile Street, Burslem, Stoke-on-Trent, ST6 2BA	England	Ordinary
Atlanta Investment Holdings 3 Limited	100%	Autonet Insurance, Nile Street, Burslem, Stoke-on-Trent, ST6 2BA	England	Ordinary
Atlanta Investment Holdings A Limited	100%	Autonet Insurance, Nile Street, Burslem, Stoke-on-Trent, ST6 2BA	England	Ordinary
Atlanta Investment Holdings B Limited	100%	Autonet Insurance, Nile Street, Burslem, Stoke-on-Trent, ST6 2BA	England	Ordinary
Atlanta Investment Holdings D Limited	100%	Autonet Insurance, Nile Street, Burslem, Stoke-on-Trent, ST6 2BA	England	Ordinary

36 Group undertakings *(continued)*

Company	Share-holding	Registered office address	Country of incorporation	Nature of holding
Atlanta Investment Holdings D1 Limited	75%	Autonet Insurance, Nile Street, Burslem, Stoke-on-Trent, ST6 2BA	England	Ordinary
Atlanta Investment Holdings D2 Limited	100%	Autonet Insurance, Nile Street, Burslem, Stoke-on-Trent, ST6 2BA	England	Ordinary
Atlanta Investment Holdings D3 Limited	100%	Autonet Insurance, Nile Street, Burslem, Stoke-on-Trent, ST6 2BA	England	Ordinary
Atlanta Investment Holdings D4 Limited	100%	Autonet Insurance, Nile Street, Burslem, Stoke-on-Trent, ST6 2BA	England	Ordinary
Atlanta Investment Holdings D5 Limited	100%	Autonet Insurance, Nile Street, Burslem, Stoke-on-Trent, ST6 2BA	England	Ordinary
Atlanta Investment Holdings D6 Limited	100%	Autonet Insurance, Nile Street, Burslem, Stoke-on-Trent, ST6 2BA	England	Ordinary
Atlanta Investment Holdings Limited	100%	Autonet Insurance, Nile Street, Burslem, Stoke-on-Trent, ST6 2BA	England	Ordinary
Atlanta Investment Holdings Midco B Limited	100%	Autonet Insurance, Nile Street, Burslem, Stoke-on-Trent, ST6 2BA	England	Ordinary
Autonet Law LLP	75%	PM House, 250 Shepcote Lane, Sheffield, S9 1TP	England	LLP
B.I.B. (Darlington) Acquisitions Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
B.I.B. (Darlington) Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
B.I.B. Underwriters Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
B.I.B.U. Acquisitions Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
BC UW Ltd	67%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
Bennett Christmas Insurance Brokers Ltd	67%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
Berkeley Alexander Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Bermingham Hooper Dolan Insurances Limited	100%	Unit 1 Riverfront Building, Howley's Quay, Limerick	Ireland	Ordinary

36 Group undertakings *(continued)*

Company	Share-holding	Registered office address	Country of incorporation	Nature of holding
Bernard Saxon General Insurance Services Limited	100%	30 Acorn Road, Jesmond, Newcastle Upon Tyne, NE2 2DJ	England	Ordinary
Berry Investment Holdings Limited	100%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
Besso Affinity Groups Limited	100%	8-11 Crescent, London, EC3N 2LY	England	Ordinary
Besso Brasil Participacoes Ltda	100%	Rua São José, 90 – Sala 2107, Centro – Rio de Janeiro, CEP: 20.010-020	Brazil	Ordinary
Besso Cyprus B.V.	100%	Rooseveltlaan 8b, 4536 GZ Terneuzen	Netherlands	Ordinary
Besso ESOP Trustees Limited	100%	8-11 Crescent, London, EC3N 2LY	England	Ordinary
Besso Grimme Insurance Brokers GmbH	100%	Alstertor 17, 20095 Hamburg	Germany	Ordinary
Besso Insurance Brokers European Services Limited	100%	14 Kolokotronis Street, Engomi, Nicosia, 2408	Cyprus	Ordinary
Besso Insurance Group Limited	100%	8-11 Crescent, London, EC3N 2LY	England	Ordinary
Besso Insurance Services Limited	100%	8-11 Crescent, London, EC3N 2LY	England	Ordinary
Besso International (Re) Limited	100%	8-11 Crescent, London, EC3N 2LY	England	Ordinary
Besso International Specie Limited	100%	8-11 Crescent, London, EC3N 2LY	England	Ordinary
Besso Limited	100%	8-11 Crescent, London, EC3N 2LY	England	Ordinary
Besso LLP	57%	8-11 Crescent, London, EC3N 2LY	England	Capital Contribution
Besso Marine Limited	100%	8-11 Crescent, London, EC3N 2LY	England	Ordinary
Besso Operational Support Services Limited	100%	8-11 Crescent, London, EC3N 2LY	England	Ordinary
Besso Re (Middle East) Limited	51%	Unit Office GV04/L02/211-212, Level 2, Gate Village Building 04, DIFC, PO Box 507220, Dubai	UAE	Ordinary
Besso Re Brasil Corretora de Resseguros Ltda	100%	Rua São José, 90 – Sala 2107, Centro – Rio de Janeiro, CEP: 20.010-020	Brazil	Ordinary
Besso Re Limited	100%	8-11 Crescent, London, EC3N 2LY	England	Ordinary
Besso Risk Solutions Limited	100%	8-11 Crescent, London, EC3N 2LY	England	Ordinary

36 Group undertakings *(continued)*

Company	Share-holding	Registered office address	Country of incorporation	Nature of holding
Besso Sigorta ve Reassurance Brokerligi Ltd	100%	Kanyon Ofis Binasi Buyukdere cad No 185 Kat 13 Levent 34394 - Istanbul	Turkey	Ordinary
Besso Special Groups Limited	100%	8-11 Crescent, London, EC3N 2LY	England	Ordinary
Besso Transportation Limited	100%	8-11 Crescent, London, EC3N 2LY	England	Ordinary
Bishop Skinner Acquisitions Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Bishop Skinner Insurance Brokers Holdings Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Bishop Skinner Insurance Brokers Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Bishopsgate Energy Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Bishopsgate Insurance Brokers Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Bishopsgate North American Binders Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Blue Grizzly Technologies Limited	100%	Ballintarsna, Tullaroan, Co. Kilkenny, Tullaroan, Kilkenny	Ireland	Ordinary and Redeemable Preference
BM Property Insurance Services Limited	100%	William Curtis House, Lenten Street, Alton, Hampshire, United Kingdom, GU34 1HG	England	Ordinary
Box Investment Holdings Limited	67%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
Boyd & Company Limited	100%	5 Mill Street, Paisley, Renfrewshire, PA1 1LY	England	Ordinary
Bravo Investment Holdings 2 Limited	100%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
Bravo Investment Holdings 3 Limited	100%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
Bravo Investment Holdings 4 Limited	100%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
Bravo Investment Holdings Limited	97%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary

36 Group undertakings *(continued)*

Company	Share-holding	Registered office address	Country of incorporation	Nature of holding
Brian J. Pierce Limited	100%	9 Eastgate Avenue, Eastgate Business Park, Little Island Co Cork, Little Island, Cork, T45 YN92	Ireland	Ordinary
Broker Network (MGA) Limited	100%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
Broker Network Holdings Limited	100%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
Brokerslink AG	20%	c/o MJP Partners AG, Bahnofstrasse 20, 6300 Zug	Switzerland	Common
Brokerslink Management AG	100%	c/o MJP Partners AG, Bahnofstrasse 20, 6300 Zug	Switzerland	Preference
C & M Insurance Services Limited	100%	22 High Street, Saffron Walden, Essex, CB10 1AX	England	Ordinary
C&N Investment Holdings Limited	100%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
C.B. Hughes Limited	100%	3 Links House, Dundas Lane, Portsmouth, PO3 5BL	England	Ordinary
Capital Cover Group Limited	100%	9 Eastgate Avenue, Eastgate Business Park, Little Island Co Cork, Little Island, Cork, T45 YN92	Ireland	Ordinary
Carole Nash Insurance Consultants (Ireland) Designated Activity Company	100%	Ulysses House, 22/24 Foley St, Mountjoy, Dublin	Ireland	Ordinary
Carole Nash Insurance Consultants Limited	100%	Trafalgar House, 110 Manchester Road, Altrincham, Cheshire, WA14 1NU	England	Ordinary & deferred
Carole Nash Legal Services LLP	50%	Helmont House, Churchill Way, Cardiff, CF10 2HE	Wales	LLP
Case Management Specialists Inc	75%	553 S. Industrial Drive, Hartland, WI 53029	USA	Ordinary
Cassidy Davis Underwriting Agency Limited	100%	Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL	England	Ordinary
Cavanagh Hooper Dolan Insurances Limited	100%	31 The Mall, Waterford City	Ireland	Ordinary & Redeemable Preference
CCG Financial Services Limited	78%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
CCV Risk Solutions Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary

36 Group undertakings *(continued)*

Company	Share-holding	Registered office address	Country of incorporation	Nature of holding
CGSC Holdings (Australia) Pty Limited	100%	RSM Australia, GPO Box 5138, Sydney NSW 2001	Australia	Ordinary
Chambers and Newman Limited	100%	Colette House, 52-55 Piccadilly, London, England, W1J 0DX	England	Ordinary
Charles Hurst Insurance Services Limited	50%	Elizabeth House First Floor,116-118 Holywood Road, Belfast, BT4 1NU	Northern Ireland	Ordinary
Chase Templeton Group Limited	100%	First Floor, Millennium House, Victoria Road, Douglas, Isle of Man, IM2 4RW	Isle of Man	Ordinary & redeemable
Chase Templeton Holdings Limited	100%	First Floor, Millennium House, Victoria Road, Douglas, Isle of Man, IM2 4RW	Isle of Man	Ordinary
Chase Templeton Limited	100%	Unit 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG	England	Ordinary
Compass Broker Holdings Limited	100%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
Compass Broker Networks Limited	100%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
Compass Broker Services Limited	100%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
Compass London Markets Limited	100%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
Cooper Gay (Australia) Pty Limited	100%	Level 12, 60 Castlereagh Street, Sydney NSW 2000	Australia	Ordinary
Cooper Gay Cayman Limited	100%	Floor 4, Willow House, Cricket Square, Grand Cayman, KY1-9010	Cayman Islands	Ordinary
Cooper Gay SA	100%	35 Avenue Du Luxembourg, 4020 Liege	Belgium	Ordinary
Cooper Gay SAS	100%	71 - 73 avenue des Champs Elysees, 75008, Paris	France	Ordinary

36 Group undertakings *(continued)*

Company	Share-holding	Registered office address	Country of incorporation	Nature of holding
Cornerstone Risk Group Pty Ltd	100%	Dickfos Dunn, 22 Garden Street, Southport QLD 4215	Australia	Ordinary
Corporate Risk Management Limited	100%	17 Herbert Place, Dublin 2, Dublin	Ireland	Ordinary
Countrywide Insurance Management Limited	100%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
Cover Centre insurance Limited	100%	9 Eastgate Avenue, Eastgate Business Park, Little Island Co Cork, Little Island, Cork, T45 YN92	Ireland	Ordinary
Cullum Capital Ventures Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Dawson Whyte Limited	100%	116-118 Holywood Road, Belfast, BT4 1NU	Northern Ireland	Ordinary
Drayton Ins. Limited	100%	21 Market Place, Dereham, Norfolk, NR19 2AX	England	Ordinary
Eagle West Limited	100%	8-11 Crescent, London, EC3N 2LY	England	Ordinary
Ed Broking (Asia) Pte Limited	100%	3 Church Street, #28-04, Samsung Hub, Singapore, 049483	Singapore	Ordinary
Ed Broking (Bermuda) Limited	100%	Appleby Global Corporate Services (Bermuda) Ltd, Canon's Court , 22 Victoria Street, Hamilton, HM12	Bermuda	Ordinary
Ed Broking (Hong Kong) Limited	100%	Unit 09-11, 23/F, Prosperity Millennia Plaza, 663 King's Road, North Point	Hong Kong	Ordinary
Ed Broking (MENA) Limited	100%	Al Fattan Properties, Currency House, Tower 1, Level 3, Office 307-308 - DIFC, Dubai	United Arab Emirates	Ordinary
Ed Broking (UK) Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Ed Broking Capital Advisors Limited	100%	Canon's Court, 22 Victoria Street, Hamilton, HM 12	Bermuda	Ordinary
Ed Broking Group Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	A Ordinary, A Preferred, B Ordinary, C Ordinary Non-Redeemable Voting Ordinary, Growth D Shares

36 Group undertakings *(continued)*

Company	Share-holding	Registered office address	Country of incorporation	Nature of holding
Ed Broking Holdings (2016) Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Ed Broking Holdings (Bermuda) Limited	100%	Appleby Global Corporate Services (Bermuda) Ltd, Canon's Court , 22 Victoria Street, Hamilton, HM12	Bermuda	Ordinary
Ed Broking Holdings (London) Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary and Preferred Ordinary
Ed Broking Holdings LLP	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	n/a
Ed Broking LLP	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	n/a
Ed Broking Miami Inc	100%	800 Brickell Avenue, Suite 300, Miami FL 33121	USA	Ordinary
Ed Broking Re (Bermuda) Limited	100%	Canon's Court, 22 Victoria Street, Hamilton, HM 12	Bermuda	Ordinary
Eddie Investment Holdings Limited	94%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
Edwards & Swan Insurance Brokers Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Epsilon Insurance Broking Services Pty Limited	100%	Suite 1503, Level 15, 1 Market Street, Sydney NSW 2000	Australia	Ordinary
Equinox Underwriting North America Inc	100%	3010 Royal Blvd. South, Suite 170, Alpharetta G.A. 30022	USA	Ordinary
Ethos Partner Holdings Limited	100%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
Ethos Partner Holdings Pty Ltd	100%	Dickfos Dunn, 22 Garden Street, Southport QLD 4215	Australia	Ordinary
Fassifern Insurance Services Pty Ltd	100%	Dickfos Dunn, 22 Garden Street, Southport QLD 4215	Australia	Ordinary
Finch Commercial Insurance Brokers Ltd	100%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
Four Counties Insurance Brokers Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Fusion Insurance Services Scandinavia Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary

36 Group undertakings *(continued)*

Company	Share-holding	Registered office address	Country of incorporation	Nature of holding
Galway Hooper Dolan Insurances Limited	100%	Liosbaun Business Park, Tuam Road, Galway	Ireland	Ordinary
Geo Europe BV	100%	Weena 505, 17de verdieping, Rotterdam, 3013AL	Netherlands	Ordinary
Geo Service Solutions Limited	100%	Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL	England	Ordinary
Geo Specialty Group Holdings Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Geo Specialty Liability Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Geo Specialty Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Geo Underwriting Europe BV	100%	Weena 505, 17de verdieping, Rotterdam, 3013AL	Netherlands	Ordinary
Geo Underwriting Services Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Gladstone Underwriting Agency Limited	100%	8-11 Crescent, London, EC3N 2LY	England	Ordinary
Globe Underwriting Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Gorman Hooper Dolan Insurances Limited	100%	31 The Mall, Waterford City	Ireland	Ordinary
Gunther Lubsen GmbH	100%	Hohe Bleichen 11, 20354, Hamburg	Germany	Ordinary
Guy Penn & Company Limited	100%	PO BOX 26 Coverpoint House, St Davids Road, South And Hove Road, Lytham St Annes, FY8 1RP	England	Ordinary
GWMJ Limited	100%	8-11 Crescent, London, EC3N 2LY	England	Ordinary
H Bernstein Insurance Brokers Limited	100%	8-11 Crescent, London, EC3N 2LY	England	Ordinary
Hamilton Investment Holdings Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Harlequin Insurance PCC Limited	100%	PO Box 230, Heritage Hall, Le Marchant Street, St Peter Port, Guernsey, GY1 4JH	Guernsey	Cell Shares
Hawkwood Investment Holdings Limited	100%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
Headley Group Limited	100%	William Curtis House, Lenten Street, Alton, Hampshire, United Kingdom, GU34 1HG	England	Ordinary

36 Group undertakings *(continued)*

Company	Share-holding	Registered office address	Country of incorporation	Nature of holding
Headley Holdings Limited	100%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
Health and Protection Solutions Limited	100%	West Park House, 23 Cumberland Place, Southampton, SO15 2BB	England	Ordinary
Health Insurance Compare Limited	100%	Usay House, 5 Hercules Court Lakeside Business Park, Broadway Lane, South Cerney, Cirencester, Gloucestershire, GL7 5XZ	England	Ordinary
Healthy Pets Limited	100%	6 Ridgeway Office Park, Bedford Road, Petersfield, Hampshire, GU32 3QF	England	Ordinary
Hemsley Wynne Furlonge GmbH	100%	c/o WeWork, Taunusanlage, Taunusanlage 8, 60325, Frankfurt am Main	Germany	Ordinary
Hemsley Wynne Furlonge Partners Ltd	52%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary & preference
Hera Indemnity Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
HJB Investment Holdings Limited	92%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
Hooper Dolan Insurances Limited	100%	Station House, Railway Square, Waterford, X91 XK8Y	Ireland	Ordinary
Hugh J. Boswell Limited	92%	23 Carrow Hill, Norwich, Norfolk, NR1 2AH, United Kingdom	England	Ordinary
Ink Investment Holdings Limited	100%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
Insurance Mentor Pty Ltd	100%	Dickfos Dunn, 22 Garden Street, Southport QLD 4215	Australia	Ordinary
Inver Reinsurance Brokers Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
JIB Insurance Brokers Limited	100%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
Johnstone Insurance Brokers Limited	100%	1-7 Dunstall Street, Scunthorpe, North Lincolnshire, DN15 6LD, United Kingdom	England	Ordinary

36 Group undertakings *(continued)*

Company	Share-holding	Registered office address	Country of incorporation	Nature of holding
Junge & Co Versicherungsmakler GmbH	100%	Hohe Bleichen 11, 20354, Hamburg	Germany	Ordinary
Junge Versicherungsmakler Holding GmbH	100%	Hohe Bleichen 11, 20354, Hamburg	Germany	Ordinary
KDB Medicals Limited	100%	Autonet Insurance, Nile Street, Burslem, Stoke-on-Trent, ST6 2BA	England	Ordinary
Knighthood Corporate Assurance Services Limited	100%	Knighthood House, Imberhorne Lane, East Grinstead, West Sussex, RH19 1LB	England	Ordinary
Knighthood Europe Limited	100%	171 Old Bakery Street, Valletta, VLT 1455	Malta	Ordinary
Links Investment Holdings Limited	100%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
Lloyd Latchford Group Limited	100%	3 Redman Court, Bell Street, Princes Risborough, Buckinghamshire, HP27 0AA	England	Ordinary
Lockyer Commercial Ltd	90%	Unit 7 The Office, Village Silkwood Park, Wakefield, West Yorkshire, WF5 9TJ	England	Ordinary
Lunar 101 Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Lutine Assurance Services Limited	100%	Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL	England	Ordinary
M2 Financial Fees Limited	85%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Managing Agents Reference Assistance Services Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Marathon Global Limited	100%	8-11 Crescent, London, EC3N 2LY	England	Ordinary
Marine Broking LLP	100%	8-11 Crescent, London, EC3N 2LY	England	LLP
Marmalade Leasing Limited	100%	Autonet Insurance, Nile Street, Burslem, Stoke-on-Trent, ST6 2BA	England	Ordinary
Marmalade Limited	100%	Autonet Insurance, Nile Street, Burslem, Stoke-on-Trent, ST6 2BA	England	Ordinary & preference
Marmalade Network Limited	100%	Autonet Insurance, Nile Street, Burslem, Stoke-on-Trent, ST6 2BA	England	Ordinary

36 Group undertakings *(continued)*

Company	Share-holding	Registered office address	Country of incorporation	Nature of holding
Martinez & Partners Limited	100%	53a Crockhamwell Road, Woodley, Reading, Berkshire, RG5 3JP	England	Ordinary
Mastercover Insurance Services Limited	100%	2 Oaks Court, Warwick Road, Borehamwood, Hertfordshire, WD6 1GS	England	Ordinary
McCormack Hooper Dolan Insurances Limited	100%	Station House, Railway Square, Waterford, X91 XK8Y	Ireland	Ordinary
McMorrow Murphy Limited	94%	611 Stretford Road, Old Trafford, Manchester, M16 0QA	England	Ordinary
Mesh Insurance Services Pty Ltd	100%	Dickfos Dunn, 22 Garden Street, Southport QLD 4215	Australia	Ordinary
Midas Underwriting Limited	100%	Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL	England	Ordinary
Millennium Insurance Brokers Limited	100%	Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL	England	Ordinary
Moffatt & Co Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Morgan Law (Holdings) Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Morgan Law Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Murray & Spelman (Kildare) Limited	100%	9 Eastgate Avenue, Eastgate Business Park, Little Island Co Cork, Little Island, Cork,T45 YN92	Ireland	Ordinary
Murray & Spelman Limited	100%	9 Eastgate Avenue, Eastgate Business Park, Little Island Co Cork, Little Island, Cork,T45 YN92	Ireland	Ordinary
Network Protect Limited	100%	First Floor, Millennium House, Victoria Road, Douglas, Isle of Man, IM2 4RW	Isle of Man	Ordinary
Neutral Bay Investments Limited	50%	4 Matthew Parker Street, London, England, SW1H 9NP	England	Ordinary and Preference
Nevada 4 Midco 1 Limited	100%	89 Nexus Way, Camana Bay, Grand Cayman, KY-9009, Cayman Islands	Cayman Islands	Ordinary
Nevada 5 Midco 2 Limited	100%	PO BOX 309, Ugland House, Grand Cayman, Cayman Islands, KY1-1104	Cayman Islands	A Ordinary
Nevada 5 Midco Limited	100%	PO BOX 309, Ugland House, Grand Cayman, KY1-1104	Cayman Islands	Ordinary
Nevada 5 Topco Limited	100%	PO BOX 309, Ugland House, Grand Cayman, KY1-1104	Cayman Islands	Ordinary

36 Group undertakings *(continued)*

Company	Share-holding	Registered office address	Country of incorporation	Nature of holding
Nevada Investment Holdings 3 Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Nevada Investment Holdings 5 Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Nevada Investment Holdings 6 Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Nevada Investment Holdings 7 Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Nevada Investments 1 Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Nevada Investments 2 Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Nevada Investments 3 Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Nevada Investments 4 Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Nevada Investments 5 Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Nevada Investments 6 Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Nevada Investments 7 Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Nevada Investments Holdings Limited	100%	89 Nexus Way, Camana Bay, Grand Cayman, KY-9009	Cayman Islands	Ordinary
Nevada Investments Topco Limited	100%	89 Nexus Way, Camana Bay, Grand Cayman, KY-9009	Cayman Islands	Ordinary
Nevada Investorco Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Nevada Management (Nominees) Limited	100%	89 Nexus Way, Camana Bay, Grand Cayman, KY-9009	Cayman Islands	Ordinary
Nevada Partners Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
NMB Beijing Consulting Company Limited	100%	Room 2706-2709, Tower C, Office Park, 5 Jinghua South Street, Chaoyang District, Beijing	China	Ordinary
O'Donoghue Hooper Dolan Insurances Limited	100%	73 Main Street, Tipperary	Ireland	Ordinary & Preference
O'Driscoll O'Neil Designated Activity Company	100%	9 Eastgate Avenue, Eastgate Business Park, Little Island Co Cork, Little Island, Cork,T45 YN92	Ireland	Ordinary
O'Driscoll O'Neill (Group) Limited	100%	17 Herbert Place, Dublin 2, Dublin	Ireland	Ordinary

36 Group undertakings *(continued)*

Company	Share-holding	Registered office address	Country of incorporation	Nature of holding
Orange Bear Consulting Limited	100%	Ballintarsna, Tullaroan, Co. Kilkenny, Tullaroan, Kilkenny	Ireland	Ordinary and A Ordinary
Oyster Property Insurance Specialists Limited	75%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Oyster Risk Solutions Limited	88%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Paterson Martin Limited	100%	8-11 Crescent, London, EC3N 2LY	England	Ordinary
Paymentshield Group Holdings Limited	100%	Southport Business Park, Wight Moss Way, Southport, Merseyside, PR8 4HQ	England	Ordinary
Paymentshield Holdings Limited	100%	Southport Business Park, Wight Moss Way, Southport, Merseyside, PR8 4HQ	England	Ordinary
Paymentshield Limited	100%	Southport Business Park, Wight Moss Way, Southport, Merseyside, PR8 4HQ	England	Ordinary
Paymentshield Services Limited	100%	Southport Business Park, Wight Moss Way, Southport, Merseyside, PR8 4HQ	England	Ordinary
Perry Appleton Private Clients Limited	100%	The Elms, 3 Newbold Road, Rugby, Warwickshire, CV21 2LQ	England	Ordinary
Perry Appleton Risk Services Ltd	68%	The Elms, 3 Newbold Road, Rugby, Warwickshire, CV21 2LQ	England	Ordinary
PFIH Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
PFP Tax Services Limited	100%	5 Sylvan Way, Southfields Business Park, Basildon, SS15 6TH	England	Ordinary
Piiq Risk Partners Inc	100%	222 West Adam Street, Suite 1900, Chicago, Illinois, 60606	USA	Ordinary
Piiq Risk Partners Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Piiq Risk Partners SAS	100%	13 - 15 rue Taitbout, 75009, Paris	France	Ordinary
Price Forbes & Partners (Bermuda) Limited	100%	Butterfield Bank Building, 6th Floor, 65 Front Street, Hamilton, HM 12	Bermuda	Ordinary
Price Forbes & Partners Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary

36 Group undertakings *(continued)*

Company	Share-holding	Registered office address	Country of incorporation	Nature of holding
Price Forbes (PTY) Limited	100%	1st Floor, Block A, Kingsley Office Park, 85 Protea Road, Chislehurston, Johannesburg	South Africa	Ordinary
Price Forbes Chile S.A	90%	Isidora Goyenechea 3000, Floor 27, Las Condes district, Santiago	Chile	Capital Stock
Price Forbes DMCC	100%	1004, JBC4, Cluster N, Jumeirah Lake Towers, United Arab Emirates	Dubai	Ordinary
Price Forbes Group Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Price Forbes Holdings Limited	100%	89 Nexus Way, Camana Bay, Grand Cayman, KY-9009	Cayman Islands	Ordinary
Price Forbes Hong Kong Limited	100%	2nd Floor, 625 King's Road, Tsat Tsz Mui	Hong Kong	Ordinary
Price Forbes Labuan Limited	100%	ZICO Trust Limited, Unit 13 (A) Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000	Malaysia	Ordinary
Professional Fee Protection Limited	100%	5 Sylvan Way, Southfields Business Park, Basildon, SS15 6TH	England	Ordinary
Protectagroup Acquisitions Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Protectagroup Holdings Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Provisional Marmalade Limited	100%	Autonet Insurance, Nile Street, Burslem, Stoke-on-Trent, ST6 2BA	England	Ordinary & preference
Purely Insurance Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
RDG Midas Holdings (NI) Limited	82%	Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL	England	Ordinary & preference
Resilium Bidco Pty Ltd	100%	Dickfos Dunn, 22 Garden Street, Southport QLD 4215	Australia	Ordinary
Resilium Insurance Broking Pty Ltd	100%	Dickfos Dunn, 22 Garden Street, Southport QLD 4215	Australia	Ordinary
Resilium InvestCo 1 Pty Ltd	100%	Dickfos Dunn, 22 Garden Street, Southport QLD 4215	Australia	Ordinary
Resilium InvestCo 2 Pty Ltd	100%	Dickfos Dunn, 22 Garden Street, Southport QLD 4215	Australia	Ordinary

36 Group undertakings *(continued)*

Company	Share-holding	Registered office address	Country of incorporation	Nature of holding
Resilium InvestCo 3 Pty Ltd	100%	Dickfos Dunn, 22 Garden Street, Southport QLD 4215	Australia	Ordinary
Resilium InvestCo 4 Pty Ltd	100%	Dickfos Dunn, 22 Garden Street, Southport QLD 4215	Australia	Ordinary
Resilium OpCo Pty Ltd	100%	Dickfos Dunn, 22 Garden Street, Southport QLD 4215	Australia	Ordinary
Resilium Partners Pty Ltd	73%	Dickfos Dunn, 22 Garden Street, Southport QLD 4215	Australia	Ordinary
Resilium Pty Ltd	100%	Dickfos Dunn, 22 Garden Street, Southport QLD 4215	Australia	Ordinary
Robus Corporate Services (Guernsey) Limited	100%	Town Mills, Rue de Pre, St Peter Port, GY1 6HS	Guernsey	Ordinary
Robus Group Limited	100%	Town Mills, Rue de Pre, St Peter Port, GY1 6HS	Guernsey	Ordinary
Robus Insurance (Guernsey) ICC Limited	100%	Town Mills, Rue de Pre, St Peter Port, GY1 6HS	Guernsey	Ordinary
Robus Insurance PCC Limited	100%	Town Mills, Rue de Pre, St Peter Port, GY1 6HS	Guernsey	Ordinary
Robus Risk Services (Gibraltar) Limited	100%	5/5 Crutchett's Ramp, Gibraltar, GX11 1AA	Gibraltar	Ordinary
Robus Risk Services (Guernsey) Limited	100%	Town Mills, Rue de Pre, St Peter Port, GY1 6HS	Guernsey	Ordinary
Robus Risk Services (Malta) Limited	100%	Triq Sant'Andrija, San Gwann, Office W302, The Hub Work Space, SGN 1612	Malta	Ordinary
Rock Overseas Investment Holdings Limited	100%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
Saffron Finance Limited	100%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
Saffron Insurance Services Limited	100%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
Schofield Insurance Brokers Limited	100%	Number One Great Exhibition Way, Kirkstall Forge, Leeds, England, LS5 3BF	England	Ordinary
Sea Investment Holdings Limited	100%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	B Ordinary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 Group undertakings *(continued)*

Company	Share-holding	Registered office address	Country of incorporation	Nature of holding
SIB (Holdings) Limited	100%	Number One Great Exhibition Way, Kirkstall Forge, Leeds, England, LS5 3BF	England	Ordinary
Stamford Investment Holdings Limited	100%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
Starlingspell Limited	100%	Station House, Railway Square, Waterford, X91 XK8Y	Ireland	Ordinary
Sterling Insurance Pty Limited	39%	Level 6, 100 Arthur Street, North Sydney, NSW 2060	Australia	Ordinary
Suddards Davies & Associates Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Swinton (Holdings) Limited	100%	Embankment West Tower, 101 Cathedral Approach, Salford, M3 7FB	England	Ordinary
Swinton Properties Limited	100%	Embankment West Tower, 101 Cathedral Approach, Salford, M3 7FB	England	Deferred
Tactical Risk Solutions LLC	100%	159 Bank Street, Fourth Floor, Burlington, VT, 05401	USA	Ordinary
Thames Underwriting Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
The Ardonagh Nominee Company Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
The Broker Network Limited	100%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
Thompson & Bryan (UK) Limited	100%	Suite B, First Floor, 144-146 East Barnet Road, New Barnet, England, EN4 8RD	England	Ordinary
Thompson & Richardson Limited	80%	Monument House Southgate, Sleaford, Lincolnshire, NG34 7RL	England	Ordinary
Towergate Financial (East) Holdings Limited	99%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Towergate Financial (East) Intermediate Limited	99%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Towergate Financial (East) Limited	99%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary & preference

36 Group undertakings *(continued)*

Company	Share-holding	Registered office address	Country of incorporation	Nature of holding
Towergate Financial (Edinburgh) Limited	100%	150 St Vincent Street, Glasgow, Scotland, G2 5NE	Scotland	Ordinary & preference
Towergate Financial (Group) Limited	86%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Towergate Financial (Huddersfield) Intermediate Limited	91%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Towergate Financial (Huddersfield) Limited	91%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Towergate Financial (London) Limited	74%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Towergate Financial (North) Holdings Limited	91%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Towergate Financial (North) Limited	78%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary & preference
Towergate Financial (Scotland) Holdings Limited	86%	150 St Vincent Street, Glasgow, Scotland, G2 5NE	Scotland	Ordinary
Towergate Financial (Scotland) Limited	86%	150 St Vincent Street, Glasgow, Scotland, G2 5NE	Scotland	Ordinary
Towergate Financial (West) Holdings Limited	86%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Towergate Financial (West) Limited	86%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary & preference
Towergate FJC Limited	86%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Towergate Risk Solutions Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Advisory Insurance Brokers Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Townfrost Limited	100%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
URIS Central Administration Limited	100%	Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL	England	Ordinary
URIS Group Limited	100%	Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL	England	Ordinary
URIS Topco Limited	100%	Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL	England	Ordinary & preference
Usay Business Limited	100%	Usay House, 5 Hercules Court Lakeside Business Park, Broadway Lane, South Cerney, Cirencester, Gloucestershire, GL7 5XZ	England	Ordinary

36 Group undertakings *(continued)*

Company	Share-holding	Registered office address	Country of incorporation	Nature of holding
Usay Group Ltd	100%	Usay House, 5 Hercules Court Lakeside Business Park, Broadway Lane, South Cerney, Cirencester, Gloucestershire, GL7 5XZ	England	Ordinary
Verulam Holdings Limited	100%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
Waveney Group Schemes Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Waveney Insurance Brokers (Commercial) Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Waveney Insurance Brokers Limited	100%	2 Minster Court, Mincing Lane, London EC3R 7PD	England	Ordinary
Weald Insurance Brokers Limited	100%	Knighthood House, Imberhorne Lane, East Grinstead, West Sussex, RH19 1LB	England	Ordinary
Woodland Investment Holdings Limited	100%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
Yale Investment Holdings Limited	100%	Hexagon House, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ	England	Ordinary
Young Marmalade Limited	100%	Marmalade House, Alpha Business Centre Mallard Road, Bretton, Peterborough, Cambridgeshire, PE3 8AF	England	Ordinary
MCM Insurance Brokers Limited	100%	9 Eastgate Avenue, Castleview, Little Island, Cork, T45Y N92	Ireland	Ordinary
County Hooper Dolan Insurances Limited	100%	9 Eastgate Avenue, Castleview, Little Island, Cork, T45Y N92	Ireland	Ordinary
Sino Insurance Brokers Limited	40%	Room 2501, Singga Commercial Centre, 144-151 Connaught Road West	Hong Kong	Ordinary
Sino Reinsurance Brokers Limited	40%	Room 2501, Singga Commercial Centre, 144-151 Connaught Road West	Hong Kong	Ordinary

37 *Subsequent events*

On 23 December 2021, the Group entered an agreement to purchase MDS SGPS sa, which is expected to complete later in 2022.

On 25 February 2022, Resilium arranged an AUD 40m debt facility that can be drawn in tranches similar to the Group's CAR facilities outlined in note 29 Borrowings.

Subject to customary closing conditions including regulatory approvals expected to close in the first half of 2022, Ardonagh anticipates 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, including a wholly owned subsidiary of the Abu Dhabi Investment Authority ('ADIA'), and several other large global institutions. Under the terms of the transaction, funds affiliated with MDP will increase their shareholding in the Group and HPS will reinvest in the Group. Co-investors, including a wholly owned subsidiary of ADIA and several other large global institutions, will also acquire more than USD 1 billion equity through accounts managed by MDP and HPS as part of the transaction, which values Ardonagh at USD 7.5 billion. Subject to regulatory approvals being obtained, the new equity investment will result in the Company merging into a newly created company Tara Topco Limited ('Tara') following which the Ardonagh Group activities will be overseen by a newly created subsidiary of Tara called Ardonagh Group Holdings Limited.

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. Most of the Group's inherent risk exposure relates to international 'London Market' insurance business within Ardonagh Specialty. Our robust framework and sophisticated control environment, which includes enhanced due diligence on Russian-linked business (prior to accepting the client relationships) and automated daily screening of all existing clients against relevant sanctions lists are dynamically updated as they change. The Group has also reviewed its defences against cyber risks in the context of anticipated increases in such threats to Western companies from Russia and has reviewed its procurement processes and supplier relationships for Russian links. Our mandatory due diligence on potential acquisitions also includes pre-completion screening of full client and supplier lists. We continue to actively monitor the situation as it develops and will respond accordingly as new sanctions are enacted.

ARDONAGH MIDCO 2 PLC

COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL STATEMENTS

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	31 December 2021 £000	31 December 2020 £000
Non-current assets			
Investment in subsidiaries	4	**704,539**	689,096
Other financial assets	5	**386,092**	380,462
		1,090,631	1,069,558
Current assets			
Current tax asset		**1,625**	124
Other receivables	6	**325,391**	50
Other financial assets	5	**68,838**	22,009
		395,854	22,183
Current liabilities			
Other payables	7	**(17,172)**	(18,956)
Net current assets/(liabilities)		**378,682**	3,227
Total assets less current liabilities		**1,469,313**	1,072,785
Non-current liabilities			
Borrowings	8	**(439,369)**	(384,215)
Net assets		**1,029,944**	688,570
Capital and reserves			
Share capital	9	**694,788**	688,885
Share premium		**466,416**	121,876
Retained losses	10	**(9,595)**	211
Other reserves		**(121,876)**	(121,876)
Capital contribution		**211**	(526)
Total equity		**1,029,944**	688,570

The Company reported a loss for the year ended 31 December 2021 of £9.1m (2020: £0.5m).

This set of financial statements was approved by the Board of Directors on 21 April 2022 and was signed on its behalf by:

D Cougill
Director

The notes on pages 197 to 204 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £000	Share premium £000	Capital contribution £000	Other reserves £000	Retained losses £000	Total shareholders' equity £000
At 1 January 2021	**688,885**	**121,876**	**211**	**(121,876)**	**(526)**	**688,570**
Loss for the year	**-**	**-**		**-**	**(9,069)**	**(9,069)**
	688,885	**121,876**	**211**	**(121,876)**	**(9,595)**	**679,501**
Issue of share capital	**5,903**	**344,540**	**-**	**-**	**-**	**350,443**
At 31 December 2021	**694,788**	**466,416**	**211**	**(121,876)**	**(9,595)**	**1,029,944**

	Share capital £000	Share premium £000	Capital contribution £000	Other reserves £000	Retained losses £000	Total shareholders' equity £000
At 1 January 2020	587,235	121,876	211	(121,876)	-	587,446
Loss for the year	-	-		-	(526)	(526)
	587,235	121,876	211	(121,876)	(526)	586,920
Issue of share capital	101,650	-	-	-	-	101,650
At 31 December 2020	688,885	121,876	211	(121,876)	(526)	688,570

The notes on pages 197 to 204 form an integral part of these financial statements.

FINANCIAL STATEMENTS

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 Authorisation of financial statements and statement of compliance

Ardonagh Midco 2 plc (the Company) was incorporated on the 20 March 2017 as a public company limited by shares with registered number 10679958. It is incorporated and domiciled in the UK. The address of its registered office is 2 Minster Court, Mincing Lane, London, EC3R 7PD. The principal business activities of the Company and its subsidiaries are described in the Directors' Report.

FINANCIAL STATEMENTS

NOTES TO THE COMPANY FINANCIAL STATEMENTS

2 Accounting policies

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

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and were authorised for issue by the Board on 21 April 2022.

The financial statements are presented in GBP (£).

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

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

2.2 Summary of disclosure exemptions

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the United Kingdom (UK Adopted IFRS) and the Companies Act 2006, but it takes advantage of certain disclosure exemptions from IFRS that are permitted by FRS 101 as described below.

The Company has taken advantage of the following disclosure exemptions under FRS 101 where relevant:

(a) the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-Based Payments because the arrangement concerns its own equity instruments and its separate financial statements are presented alongside the consolidated financial statements of the Group;

(b) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64 (q)(ii), B66 and B67 of IFRS 3 Business Combinations which includes among other exemptions the requirement to include a comparative period reconciliation for goodwill;

(c) the requirements of IFRS 7 'Financial Instruments: Disclosures';

(d) the requirements of paragraphs 91-99 of IFRS 13 'Fair Value Measurement';

(e) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to provide comparative period reconciliations in respect of outstanding shares, property, plant and equipment and intangible assets;

(f) the requirements in paragraph 10(d) 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;

(g) the requirements in paragraph 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 'Presentation of Financial Statements', which include the need to provide details on capital management;

(h) 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;

NOTES TO THE COMPANY FINANCIAL STATEMENTS

2 Accounting policies *(continued)*

(i) the requirements in paragraphs 17 and 18(a) of IAS 24 'Related Party Disclosures', regarding disclosure of information on key management personnel, and the IAS 24 disclosure on related party transactions entered into between two or more members of a Group, (provided that any subsidiary which is party to the transaction is wholly owned by such a member);

(j) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of Assets' which include disclosure of valuation techniques, assumptions on which projections used in an impairment review are based and a sensitivity analysis thereon; and

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

As permitted by S408 of the Companies Act, no separate profit or loss account or statement of comprehensive income is presented in respect of the parent Company. The loss attributable to the Company is disclosed in the footnote to the Company's statement of financial position.

The auditor's remuneration for audit and other services is disclosed in note 10 to the consolidated financial statements.

2.3 Going concern

The financial statements of the Company set out on pages 195 and 196 have been prepared on a basis the Company is a going concern.

At 31 December 2021, the Company had net assets of £1,029.9m (31 December 2020: £688.6m) and net current assets of £0.4m (31 December 2020: £0.0m). The Company reported an operating loss of £(8.4)m for the year ended 31 December 2021 (31 December 2020: £(0.3)m).

The Directors have assessed the Company and Group's financial position and its ability to meet its obligations as and when they fall due. In making the going concern assessment the Directors have taken into account the following:

- The Group's capital structure, operations and liquidity 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 (CAR upsize) of circa £565.0m agreed with the lenders of the Group's privately placed term loan facility due 2026 (see Business Review: Liquidity and Capital Resources), of which £164.3m remains undrawn at the date of this report. These are reflected in the adjusted base case and stressed cash flow forecasts over the calendar years 2022 and 2023.
- The impact on the 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 residual 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 two months ended February 2022, with continued positive financial results.

2 Accounting policies *(continued)*

Key assumptions that the Directors have made in preparing the 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 2021 trading performance continues to demonstrate resilience across the Group.

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

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

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

The Directors continue to consider the wider operational consequences and ramifications of global political tensions (including related to the Ukrainian conflict) and residual impacts from 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 Covid-19 developments remain fluid, the stress testing demonstrates the Group's financial resilience and operating flexibility.

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 businesses of the Company's ability to continue as a going concern.

2.4 Taxation

Current tax

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

Deferred tax

Deferred tax is recognised in respect of taxable temporary 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 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 on the same taxable entity or on different taxable entities which intend to settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously.

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

2 Accounting policies *(continued)*

2.5 Investment in subsidiaries

Investment in subsidiaries are stated at cost less any provision for impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses of £Nil (2020: £Nil) are recognised in the Statement of Comprehensive Income.

Calculation of recoverable amount

An impairment test of an asset is performed by comparing its carrying amount with its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use, where its value in use 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.

2.6 Financial assets

The Company's financial assets include intragroup receivables, related party debtors, prepayments and other assets. They are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortised cost less expected credit losses. 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.

2.7 Financial liabilities

The Company's financial liabilities includes intragroup payables and other liabilities. They are initially measured at fair value less directly attributable transaction costs and subsequently measured at amortised cost.

2.8 Share capital

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

3 Employee information

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

4 Investment in subsidiaries

	2021 £000	2020 £000
Cost		
At 1 January	**689,096**	587,446
Additions	**15,443**	101,650
At 31 December	**704,539**	689,096
Net book value		
At 1 January	**689,096**	587,446
At 31 December	**704,539**	689,096

Shares in Group undertakings	Place of incorporation and operation	Shareholding %	Principal activity
Ardonagh Midco 3 plc (and subsidiaries)	England	**100**	Holding company

The registered office of Ardonagh Midco 3 plc is 2 Minster Court, Mincing Lane, London, United Kingdom, EC3R 7PD.

5 Other financial assets

	31 December 2021 £000	31 December 2020 £000
Loans to related parties	**454,930**	402,471
	454,930	402,471
Non-current	**386,092**	380,462
Current	**68,838**	22,009

FINANCIAL STATEMENTS

NOTES TO THE COMPANY FINANCIAL STATEMENTS

7 Other receivables

	31 December 2021 £000	31 December 2020 £000
Amounts owed by Group companies	**325,391**	50
	325,391	50

8 Other payables

Current	31 December 2021 £000	31 December 2020 £000
Amounts owed to Group companies	**8,473**	18,377
Loans from related parties	**-**	498
Other liabilities	**327**	-
Accruals	**8,372**	81
	17,172	18,956

9 Borrowings

Non-current	31 December 2021 £000	31 December 2020 £000
USD 500.0m PIK toggle notes due 2027	**422,796**	369,635
Loans from related parties	**16,573**	14,580
	439,369	384,215

10 Share capital

Authorised share capital	2021 No. (thousands)	2020 No. (thousands)
Ordinary shares of £0.01 each (2020: £0.01 each)	**69,478,805**	68,888,488
	69,478,805	68,888,488

Issued and fully paid shares	2021 No. (thousands)	2021 £000	2020 No. (thousands)	2020 £000
Ordinary shares of £0.01 each (2020: £0.01 each)	**69,478,805**	**694,788**	68,888,488	688,885
	69,478,805	**694,788**	68,888,488	688,885

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

11 Reserves

Retained losses	31 December 2021 £000	31 December 2020 £000
At 1 January	(526)	-
Loss for the year	(9,069)	(526)
At 31 December	**(9,595)**	(526)

12 Related party transactions

Transactions and balances with entities that form part of the Group

During the year, the Company entered into transactions, in the ordinary course of business, with a number of related parties. The Company has taken the exemption under FRS 101 not to disclose transactions with its subsidiaries.

Directors' Remuneration

The aggregate emoluments of the highest paid Director were £2.0m (2020: £3.1m) and company pension contributions of £nil (2020: £nil) were made to a money purchase pension scheme on their behalf.

Retirement benefits are accruing in money purchase schemes for no Directors (2020: none).

	31 December 2021 £000	31 December 2020 £000
Aggregate emoluments	3,338	4,399
	3,338	4,399

13 Ultimate parent company

The Ardonagh Group Limited is the Company's ultimate parent company and the highest level at which results are consolidated. The Ardonagh Group Limited's majority shareholder is HPS Investment Partners LLC.

14 Subsequent events

Subject to customary closing conditions including regulatory approvals expected to close in the first half of 2022, Ardonagh anticipates 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, including a wholly owned subsidiary of the Abu Dhabi Investment Authority ('ADIA'), and several other large global institutions. Under the terms of the transaction, funds affiliated with MDP will increase their shareholding in the Group and HPS will reinvest in the Group. Co-investors, including a wholly owned subsidiary of ADIA and several other large global institutions, will also acquire more than USD 1 billion equity through accounts managed by MDP and HPS as part of the transaction, which values Ardonagh at USD 7.5 billion. Subject to regulatory approvals being obtained, the new equity investment will result in the Company merging into a newly created company Tara Topco Limited ('Tara') following which the Ardonagh Group activities will be overseen by a newly-created subsidiary of Tara called Ardonagh Group Holdings Limited.

SECTION 3

ARDONAGH MIDCO 2 PLC

OTHER UNAUDITED FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2021

OTHER UNAUDITED FINANCIAL INFORMATION

INTRODUCTION TO OTHER UNAUDITED FINANCIAL INFORMATION

Information in this section is provided to show readers the full reconciliation between Reported results disclosed in section 2, which include acquisitions, disposals, loan asset investments and financing transactions from the date they occur, and the alternative performance measures. The alternative performance measures comprise the Pro Forma results, which present material acquisitions, disposals, loan asset investments and financing transactions as if they had occurred on the first day of the prior year, and the EBITDA and Adjusted EBITDA measures.

OTHER UNAUDITED FINANCIAL INFORMATION

RECONCILIATION OF REPORTED RESULTS TO PRO FORMA FOR COMPLETED TRANSACTIONS RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021

31 December 2021	Midco 2 Group audited *£000*	Pro Forma disposal adjust-ments *£000*	Pro Forma acquisition adjust-ments *£000*	Pro Forma debt adjust-ments *£000*	Pro Forma Midco 2 Group *£000*
Commission and fees	915,445	-	175,276	-	1,090,721
Other income	24,929	-	357	-	25,286
Investment income	127	-	(28)	-	99
Salaries and associated costs	(446,709)	-	(125,922)	-	(572,631)
Other operating costs	(264,862)	-	(32,022)	-	(296,884)
Impairment of financial assets	(10,066)	-	(959)	-	(11,025)
Depreciation, amortisation and impairment of non-financial assets	(117,447)	-	(20,345)	-	(137,792)
Share of profit from joint venture	1,151	-	-	-	1,151
Share of profit from associate	246	-	-	-	246
Operating profit/(loss)	102,814	-	(3,643)	-	99,171
Gain on revaluation of associate and investments	1,972	-	(1,972)	-	-
Finance costs	(204,546)	-	(1,250)	(18,534)	(224,330)
Finance income	5,334	387	6,184	-	11,905
(Loss)/profit before tax	(94,426)	387	(681)	(18,534)	(113,254)
Tax credit	22,537	-	3,911	-	26,448
(Loss)/profit for the year	(71,889)	387	3,230	(18,534)	(86,806)
Eliminate: Items excluded from EBITDA					
Finance costs	204,546				224,330
Tax credit	(22,537)				(26,448)
Depreciation, amortisation and impairment of non-financial assets	117,447				137,792
Profit from disposal of assets	(40)				(101)
Foreign exchange movements	(3,127)				(2,463)
EBITDA	224,400				246,304
Eliminate: Items excluded from Adjusted EBITDA					
Transformational hires	4,609				19,164
Business transformation costs	32,061				33,928
Legacy costs	(269)				50
Other costs	19,099				31,485
Regulatory costs	8,541				8,541
Acquisition and financing costs	33,806				12,567
Gain on revaluation of associate and investments	(1,972)				-
Adjusted EBITDA	320,275				352,039

OTHFR UNAUDITED FINANCIAL INFORMATION

RECONCILIATION OF REPORTED RESULTS TO PRO FORMA FOR COMPLETED TRANSACTIONS RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

31 December 2020	Midco 2 Group audited £000	Pro Forma disposal adjust-ments £000	Pro Forma acquisition adjust-ments £000	Pro Forma debt adjust-ments £000	Pro Forma Midco 2 Group £000
Commission and fees	689,083	(1,783)	339,829	-	1,027,129
Other income	22,704	-	4,537	-	27,241
Investment income	787	-	201	-	988
Salaries and associated costs	(345,513)	741	(206,643)	-	(551,415)
Other operating costs	(206,392)	126	(83,370)	3,476	(286,160)
Impairment of financial assets	(10,319)	-	(1,884)	-	(12,203)
Depreciation, amortisation and impairment of non-financial assets	(96,177)	-	(34,264)	-	(130,441)
Fair value loss on derivatives	(2,136)	-	-	-	(2,136)
Share of profit from joint venture	1,417	-	-	-	1,417
Share of profit from associate	608	-	(589)	-	19
Operating profit/(loss)	54,062	(916)	17,817	3,476	74,439
Gain/(loss) on disposal of business	(1,665)	1,827	-	-	162
Finance costs	(235,829)	-	(10,674)	25,377	(221,126)
Finance income	1,218	-	10,718	-	11,936
Loss before tax	(182,214)	911	17,861	28,853	(134,589)
Tax expense	(17,212)	-	(3,773)	-	(20,985)
Loss for the year	(199,426)	911	14,088	28,853	(155,574)
Eliminate: Items excluded from EBITDA					
Finance costs	235,829				221,126
Tax expense	17,212				20,985
Depreciation, amortisation and impairment of non-financial assets	96,177				130,441
Loss from disposal of assets	5,648				5,618
Foreign exchange movements	3,009				2,402
EBITDA	158,449				224,998
Eliminate: Items excluded from Adjusted EBITDA					
Transformational hires	4,028				18,524
Business transformation costs	27,678				34,863
Legacy costs	8,396				8,404
Other costs	8,651				8,521
Regulatory costs	8,550				8,550
Acquisition and financing costs	8,713				14,391
Loss/(gain) on disposal of business	1,665				(162)
Adjusted EBITDA	226,130				318,089

OTHER UNAUDITED FINANCIAL INFORMATION

GLOSSARY OF TERMS

Acquisition and Financing Costs
Costs associated with acquiring businesses, with disposing of parts of the business, with raising additional financing (in-house and external legal and accounting advisors, rating agencies, etc), and with a change in the value of contingent consideration (after the measurement period has ended).

Adjusted EBITDA
EBITDA after adding back Management Reconciling Items.

Adjusted EBITDA Margin
Adjusted EBITDA divided by Total Income.

Available CAR
Total undrawn CAR facility (£164.3m facility available for expenditure on capex, acquisition and re-organisation facility).

Available Cash
Total unrestricted own funds plus ETV restricted funds.

Available Liquidity
Available Cash plus Available RCF (Revolving Credit Facility) plus Available CAR facility (£164.3m facility available for expenditure on capex, acquisition and re-organisation facility).

Available RCF
Available and undrawn RCF.

Business Transformation Costs
Costs (other than restructuring costs) incurred in transforming the legacy Towergate business, in realising synergy benefits from acquired businesses by reorganising management and business structures and by implementing new systems and processes, in reorganising group structures, in transforming business processes, in terminating contractual arrangements, and in driving a cost base that is the right size for the Group.

Cash Generating Unit (CGU)
The smallest group of assets that independently generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Discontinued Operation
A CGU or group of CGUs that has either: (a) been disposed of, or (b) is available for immediate sale in its present condition and its sale is highly probable.

EBITDA
Earnings after adding back finance costs (including effective interest on lease liabilities), tax, depreciation (including depreciation of lease right-of-use assets), amortisation, impairment of non-financial assets, profit/loss on disposal of non-financial assets (except for right-of-use assets in the year of transition to IFRS 16) and foreign exchange movements.

EBITDA Margin
EBITDA divided by Total Income.

Foreign Exchange Movements
Gains/losses arising on the revaluation of monetary items (debtors, creditors, cash, etc.) and on derivatives to which hedge accounting has not been applied.

IFRS
International Financial Reporting Standards.

Key Performance Indicators
Measures agreed by the Board to determine underlying business performance (Total income, Adjusted EBITDA, EBITDA, Operating Profit/Loss, Loss for the Year).

OTHER UNAUDITED FINANCIAL INFORMATION

GLOSSARY OF TERMS

Legacy Costs
Non-repeatable costs arising from pre-2016 retention plan payments to key staff so as to provide long-term stability to the business, from insurer loss ratio performance for legacy (to 2018 underwriting years inclusive) underwriting disciplines and decision making, from settlement of historic enhanced transfer value liabilities, and from write down of legacy IBA balances and other receivable balances whilst enhanced processes are being embedded.

Management Reconciling Items
- Discontinued Operations
- Restructuring Costs
- Transformational Hires
- Business Transformation Costs (other than Restructuring Costs)
- Regulatory Costs
- Acquisition and Financing Costs
- Profit/loss on disposal of a business and investments (unless a discontinued operation)
- Legacy Costs
- Other Costs

Non-organic Growth
Growth arising from acquisitions of books of business, trades and assets, and companies.

Operating Cash Conversion
Operating and investing cash flow (as further defined as Adjusted EBITDA less working capital movement and maintenance capital expenditure), over Adjusted EBITDA.

Operating Segments
A component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group Executive Committee to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Organic Growth
Growth adjusted to remove the impact of acquisitions, disposals, FX, hedges, back-books, accounting changes and certain one-off and distorting items.

Other Costs
- Costs incurred in 2020 and 2021 that are directly attributable to the coronavirus pandemic in that they would not otherwise have been incurred; and
- The expense arising from equity-settled and cash-settled share-based payment schemes; and
- Non-repeatable costs arising from external reviews, from commercial disputes, from a cyber incident (net of insurance recoveries received), and from other one-off events.

Pro Forma for Completed Transactions
IFRS numbers which have been adjusted to: (a) include the results of new acquisitions from the first day of the immediately preceding comparative year, (b) remove the results and gain or loss on disposal of discontinued operations, and of other business disposals from the current and prior year, where they have occurred prior to the end of the reporting period, and (c) reflect financing transactions as if they had occurred on the first day of the prior year.

Regulatory Costs
Costs associated with one-off regulatory reviews and with changes in the regulatory and compliance environments.

Reported
Numbers disclosed within section 2 of this document (prepared in accordance with IFRS).

OTHER UNAUDITED FINANCIAL INFORMATION

GLOSSARY OF TERMS

Restructuring Costs
Direct expenditures associated with a programme that is planned and controlled by management and that materially changes either: (a) the scope of a business undertaken by Ardonagh, or (b) the manner in which that business is conducted.

Total Income
Commission and fees, other income, investment income and finance income.

Transformational Hires

- Sign-on bonuses and other non-discretionary bonuses; and
- Net losses associated with new joiners hired to drive transformational business growth to whom a capacity restriction (no insurer to underwrite policies) or a restrictive covenant applies. The net losses are calculated as the salary-related costs incurred less the income generated by those new joiners during the period and up to one year after the capacity restriction or covenant has ended. If the net losses become negative, so that income generated exceeds salary-related costs, this is no longer a Management Reconciling item; and
- The Salary-Related Costs incurred during the 6 months after the date of hire of new joiners hired to drive transformational business growth who have annual base salaries of at least £80,000 (or equivalent in non-UK jurisdictions), conditional on the new joiners being retrained into a revenue-generating role from an immediately preceding non-insurance broking business.