Registration number: 10735116

Ardonagh Midco 3 plc

Annual Report and Financial Statements

for the Year Ended 31 December 2020

Ardonagh Midco 3 plc

Contents

Ardonagh Midco 3 plc

Company Information

Directors	C Bouch
	P N Butler
	D Cougill
	V A Dombalagian
	S French
	D C Ross
	J I Tiner
Company secretary	D Clarke
Registered office	2 Minster Court Mincing Lane London EC3R 7PD United Kingdom
Auditor	Deloitte LLP 1 New Street Square London EC4A 3HQ United Kingdom

Ardonagh Midco 3 plc

Strategic Report for the Year Ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020 for Ardonagh Midco 3 plc ("the Company"). The Strategic Report provides a review of the business for the financial year and describes how the directors manage risks. The report outlines the performance of the Company during the financial year and its position at the end of the year. The report discusses the developments that have affected the Company and the main trends and factors that could affect its future. The Company is part of The Ardonagh Group Limited ("the Group").

Principal activities and business review

The principal activity of the Company is that of a non-trading holding company, as such the Company does not generate any turnover.

The results for the Company show turnover of £Nil (2019: £Nil) and loss before tax of £197.8m (2019: £97.9m) for the year. At 31 December 2020 the Company had net assets of £299.8m (2019: £379.8m). The going concern note (part of accounting policies) on page 18 sets out the reasons why the directors continue to believe that the preparation of the financial statements on a going concern basis is appropriate.

On 14 July 2020, the Group issued new borrowings, which it used to repay its existing borrowings and to fund acquisitions. As a result of this refinancing, Ardonagh Midco 3 Plc repaid all its external debt held at this date and entered into new debt arrangements with both private investors and Group companies.

Outlook

The directors do not expect there to be any changes in the nature of the business in 2021.

The unprecedented and rapidly evolving nature of the global Covid-19 pandemic (including the short-term and long-term effects thereof) creates unprecedented and extraordinary uncertainties for most businesses including Ardonagh Midco3 plc. Consideration of the financial risk and future impact can be found in the Strategic Report within the 'Principal risks and uncertainties' section and the Going concern disclosure in note 2.

Key performance indicators

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

The key performance indicator for this Company is the carrying value of its subsidiaries, as these are the main assets of the Company. The performance of the subsidiaries undertaking will determine whether an impairment to the carrying value is required and this is tested on a regular basis.

There were no impairment charges for the current year end.

Principal risks and uncertainties

The Company's performance and value, as a holding company of the Group, is integrated with its investment in the Company's subsidiaries. As such from the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are managed separately. Accordingly, the principal risks and uncertainties are discussed in the Group's annual report.

A principal risk of this holding Company is the trading performance of its subsidiaries. Trading performance in the subsidiaries could create the need for impairment leading to a reduction in net assets and distributable reserves of the Company. The subsidiaries set performance targets for the year ahead and performance is reviewed regularly against these targets. Reasons for under performance are monitored and mitigating actions are taken. The investment is reviewed for impairment to ensure the appropriate carrying value in the holding company's accounts.

Financial risk
The Company has considered the wider operational consequences and ramifications of the Covid-19 pandemic. Although Covid-19 developments remain fluid, financial stress testing demonstrates the Group's financial resilience and operating flexibility. The Group has sufficient liquidity to withstand a period of potential poor trading resulting from a sustained impact of Covid-19, although this has not materialised to date with the income impacts predominantly limited to the second quarter of 2020 and substantially offset by additional cost savings. The Group had available liquidity of £596.0m at 31 December 2020 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. The Group is highly diversified and not materially exposed to a single carrier, customer or market sector.

Cyber-security and General Data Protection Regulation
Our computer systems store information about our customers and employees, some of which is sensitive personal data. Although we have taken reasonable and appropriate security measures to prevent unauthorised access to information stored in our databases and to ensure that our processing of personal data complies with the General Data Protection Regulations (GDPR), our technology may, on occasion, fail to adequately secure the private information we maintain in our databases and protect it from theft or inadvertent loss. Our systems, and the wider public infrastructure they rely on, may also be subject to attack preventing use and disrupting business operations.

The Group has robust policies, business standards and control frameworks in place for both cyber security and data protection.

Following the appointment of the Group CISO at 2019 year-end, a 3-year group-wide Cyber Resilience Strategy was established, with all major areas of the Group developing related cyber remediation roadmaps (with a particular focus on related IT control environments) where required, to further review and enhance the maturity and capability of cyber and information security processes and controls across the Group. Appropriate mechanisms have also been embedded to help effectively track and manage related cyber risk across the Group.

The Company continues to have a cyber insurance policy in place to mitigate financial risks associated with data breaches and cyber-attacks.

Future impact of Brexit
Brexit affects the ability of businesses to passport from the UK into other EU states and likewise into the UK from the EU. The Group's plans always assumed a no deal, 'hard' Brexit and as such the Group was prepared for Brexit. The direct impact on the Group's UK businesses is not significant because they conduct only limited business within the EU and, importantly, because the operating segments have implemented mitigation strategies (e.g. gaining direct authorisation in certain EU member states) to reduce the risk. However, the loss of passporting rights may affect the insurance markets in which the Group operates, possibly reducing insurance capacity, competition and choice.

Brexit could also extend the current Covid-19 induced general decline in economic conditions in the UK where the Group operates predominantly. The diversified business portfolio of the Group continues to mitigate the risk of a general decline in economic conditions and the Group's going concern stressed scenario modelling incorporates general economic declines, including from Brexit and Covid-19.

Approved by the Board on 30 June 2021 and signed on its behalf by:

....
D Cougill
Director

Ardonagh Midco 3 plc

Directors' Report for the Year Ended 31 December 2020

The directors present their annual report and the audited financial statements for the year ended 31 December 2020.

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

C Bouch

P N Butler

D Cougill

V A Dombalagian

S French

D C Ross

J I Tiner

Dividends
The directors do not recommend a final dividend payment to be made in respect of the financial year ended 31 December 2020 (2019: £Nil).

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

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

Political donations
The Company has not made any political donations during the year (2019: £Nil).

Streamlined Energy and Carbon Reporting (SECR)
As a subsidiary undertaking for the year ended 31 December 2020, the Company has not separately reported its energy and carbon information. Instead, this information has been reported at group level. Further details can be found in the 2020 Annual Report and Financial Statements of Ardonagh Midco 2 plc, which is published on its website.

Subsequent events
Details of subsequent events can be found in the Notes to the financial statements within the 'Subsequent events' section on page 40.

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

On 14 July 2020, the Group issued new borrowings, which it used to repay its existing borrowings and to fund acquisitions. The Directors' going concern assessment takes into account these new financing arrangements and latest forecasts for the enlarged group.

Directors' liabilities

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

Disclosure of information to the auditor

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

Reappointment of auditor

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

Approved by the Board on 30 June 2021 and signed on its behalf by:

....

D Cougill
Director

Statement of Directors' Responsibilities

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and to 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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the members of Ardonagh Midco 3 plc

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Ardonagh Midco 3 plc (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, which comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 19.

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

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

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

Independent Auditor's Report to the members of Ardonagh Midco 3 plc (continued)

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

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

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

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 7], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report to the members of Ardonagh Midco 3 plc (continued)

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

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

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:
• had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and UK Tax legislation; and
• do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

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

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

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

Report on other legal and regulatory requirements

Opinion on other matter 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 our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

Independent Auditor's Report to the members of Ardonagh Midco 3 plc (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Use of our report

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

....

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

30 June 2021

Ardonagh Midco 3 plc

Statement of Profit and Loss for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Administrative expenses		(4,870)	(2,960)
Finance income		36,527	8,370
Finance costs		(229,484)	(103,299)
Net finance cost		(192,957)	(94,929)
Loss before tax		(197,827)	(97,889)
Tax credit	8	24,228	12,907
Loss for the year		(173,599)	(84,982)

The above results arise from continuing operations.

Ardonagh Midco 3 plc

Statement of Other Comprehensive Income for the Year Ended 31 December 2020

	2020 £ 000	2019 £ 000
Loss for the year	(173,599)	(84,982)
Change in hedging reserve	(7,610)	4,960
Income tax (expense)/credit relating to these items	(423)	(843)
Total comprehensive loss for the year	(181,632)	(80,865)

The above results arise from continuing operations.

Ardonagh Midco 3 plc

(Registration number: 10735116)
Statement of Financial Position as at 31 December 2020

	Note	2020 £ 000	2019 £ 000
Non-current assets			
Trade and other receivables	11	670,304	68,000
Investment in subsidiary	9	840,059	738,409
Derivatives	14	446	74
Deferred tax	8	-	372
		1,510,809	806,855
Current assets			
Trade and other receivables	11	1,042,480	1,019,389
Cash and cash equivalents	10	44,547	4,916
Derivatives	14	-	2,989
		1,087,027	1,027,294
Current liabilities			
Trade and other payables	12	(268,588)	(292,330)
Borrowings	13	(68,918)	(43,899)
Tax liabilities	8	24,372	(96)
Derivatives	14	(955)	(1,970)
		(314,089)	(338,295)
Net current assets		772,938	688,999
Total assets less current liabilities		2,283,747	1,495,854
Non-current liabilities			
Borrowings	13	(1,933,180)	(1,096,598)
Derivatives	14	(50,735)	(19,442)
		(1,983,915)	(1,116,040)
Net assets		299,832	379,814
Capital and reserves			
Share capital	15	688,885	587,235
Hedging reserves		(10,097)	(2,064)
Retained losses		(379,202)	(205,603)
Capital contribution		246	246
Total equity		299,832	379,814

The notes on pages 17 to 40 form an integral part of these financial statements.

Ardonagh Midco 3 plc

(Registration number: 10735116)
Statement of Financial Position as at 31 December 2020 (continued)

Approved by the Board on 30 June 2021 and signed on its behalf by:

....
D Cougill
Director

The notes on pages 17 to 40 form an integral part of these financial statements.

Statement of Changes in Equity for the Year Ended 31 December 2020

	Note	Share capital £ 000	Hedging reserves £ 000	Retained losses £ 000	Capital contribution £ 000	Total £ 000
At 1 January 2020		587,235	(2,064)	(205,603)	246	379,814
Loss for the year		-	-	(173,599)	-	(173,599)
Other comprehensive income		-	(8,033)	-	-	(8,033)
New share capital subscribed	15	101,650	-	-	-	101,650
At 31 December 2020		688,885	(10,097)	(379,202)	246	299,832

During the year, 10,164,967,610 ordinary shares having an aggregate nominal value of £101.7m were allotted for an aggregate consideration of £101.7m.

	Share capital £ 000	Hedging reserves £ 000	Retained losses £ 000	Capital contribution £ 000	Total £ 000
At 1 January 2019	520,235	(6,181)	(120,621)	211	393,644
Loss for the year	-	-	(84,982)	-	(84,982)
Other comprehensive income	-	4,117	-	-	4,117
Capital contribution	-	-	-	35	35
New share capital subscribed	67,000	-	-	-	67,000
At 31 December 2019	587,235	(2,064)	(205,603)	246	379,814

1 General information

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

These financial statements for the year ended 31 December 2020 were authorised for issue by the board on 30 June 2021 and the Statement of Financial Position was signed on the board's behalf by D Cougill.

2 Accounting policies

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

Basis of preparation
These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101).

The Company is a wholly owned subsidiary of The Ardonagh Group Limited and so has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group financial statements. Its results are included in the consolidated financial statements of its ultimate parent.

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

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.

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 EU ("EU-adopted IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

- the requirements of IFRS 7 'Financial Instruments: Disclosures';
- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment concerning details of the number and weighted average exercise price of share options and how the fair value of goods or services received was determined;
- the requirements in paragraph 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial
- the requirements in paragraphs 17 and 18A of IAS 24 Related Party Disclosures and the requirements in IAS 24 to disclose related party transactions entered into between two or more members of the Group, provided that any subsidiary which is party to the transaction is wholly owned by such a member;

2 Accounting policies (continued)

- the requirements of paragraphs 130(f)(ii) -(iii), 134(d) - 134(f) and 135(c) - 135(e) of IAS 36 Impairment of Assets in respect of disclosure of valuation techniques, assumptions on which projections used in the impairment review are based and sensitivity analysis.
- 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; and
- the requirement in paragraph 10(d) and 111 of IAS 1 Presentation of Financial Statements to prepare a Cash flow statement and the requirements in IAS 7 Statement of Cash Flows regarding the same.

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

Judgements made by the directors in the application of these accounting policies that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are discussed in the Critical accounting judgements and key sources of estimation uncertainty disclosure on page 29.

Going concern

As shown in account note 18, the Company is a member of a group ("the Group") of which The Ardonagh Group Limited ("TAGL") is the ultimate parent company and the highest level at which results are consolidated.

The financial statements of the Company have been prepared on a going concern basis. At 31 December 2020 the Company had net assets of £.3m (2019: £.4m) and net current assets of £.8m (2019: £.7m). The Company reported a loss before tax £197.8m (2019: £97.9m). The Company was one of a number of group companies who at 31 December 2020 guaranteed bank and bond debt owed by Ardonagh Midco 2 Plc, an intermediate holding company in the Group.

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

- The current capital structure and liquidity of the Company and the Group, that the Group manages its cash and funding requirements on a Group-wide basis, as well as the assessment that the Group continues to be a going concern.
- Following the Group's 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 remained undrawn on 19 May 2021 being the date of TAGL's Q1 2021 interim report, and (b) payment-in-kind interest options are utilised.
- The change in the Group's capital structure, operations and liquidity following the 14 July 2020 issuance of new borrowings are reflected in the Group's adjusted base case and stressed cash flow forecasts over the calendar years 2021 and 2022.
- Adjustments included for the forecast cashflows from the material acquisitions completed at the date of finalisation of the Group's base case budget and impact on available and forecast liquidity of subsequent acquisitions completed and planned.
- The principal risks facing the Group, including the potential financial and operational impacts of Covid-19, and its systems of risk management and internal control.
- Actual Group trading and cashflows that arose in 2020 and the first four months of 2021 with continued positive financial results.
- 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.

2 Accounting policies (continued)

Key stress scenarios that TAGL considered as part of the Group's 2020 and Q1 2021 Going Concern assessments include shortfalls to the Group's base plan projected income throughout 2021 and 2022 and deterioration in the base case cash conversion rates over and above the shortfalls in income. The Group also modelled reverse stress scenarios, including assessing those that result in a default on the Group's term debt facilities that would require a technical repayment obligation and those that would exhaust available liquidity.

The stresses needed for these outcomes to happen significantly exceed the key stress scenarios above and the TAGL Directors considered 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.

Further details can be found in the 2020 Annual Report and Financial Statements and the Q1 2021 Interim Report of TAGL, which are published on its website.

The Directors of the Company and the Group have also considered the wider operational consequences and ramifications of 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 its 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.
- The impact of Covid-19 on the Group has been very limited.

Following the assessment of the Company's ability to meet its obligations as and when they fall due and the Group's financial position and liquidity, including the further potential financial implications of the Covid-19 pandemic included in Group stress tests, and the wider operational consequences and ramifications of the pandemic, the Directors are not aware of any material uncertainties that cast significant doubt on the Company's ability to continue as a going concern.

Investments in subsidiary

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

2 Accounting policies (continued)

Financial instruments

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

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

Derecognition

Financial assets

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

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

Financial liabilities

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

Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2 Accounting policies (continued)

Classification and subsequent measurement of financial assets
Financial assets are classified into one of the following three categories:
• Amortised cost;
• Fair value through other comprehensive income ("FVTOCI"); or
• Fair value through the profit or loss ("FVTPL").

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

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

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

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

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

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

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

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

2 Accounting policies (continued)

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

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

The Company 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 were not expected to be sold in the short to medium term.

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 at FVTPL, unless the Company designates an equity investment as at FVTOCI on initial recognition.
• Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL.

Financial assets at 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. Interest earned on assets mandatorily required to be measured at FVTPL is recognised using a contractual interest rate. Dividend income from equity instruments measured at FVTPL is recognised in profit or loss as part of investment income when the right to payment has been established (provided that it is probable that the economic benefits will flow to the Company and that the amount of income can be measured reliably). This is the ex-dividend date for listed equity securities, and usually the date when shareholders approve the dividend for unlisted equity securities.

The Company'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 FVOCI, because their cashflows do not represent solely payments of principal and interest. The Company 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 receivables recognised on a business combination in relation to the Company'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 at amortised cost or FVOCI because their cash flows do not represent solely payments of principal and interest.

2 Accounting policies (continued)

Foreign exchange gains and losses

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

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

Reclassifications

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

2 Accounting policies (continued)

Impairment of financial assets

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

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

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

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

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

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

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

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

2 Accounting policies (continued)

Definition of default
The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full.

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

Write-off policy

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

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 at fair value through the profit or loss
Financial liabilities are classified and measured at FVTPL when:

- the financial liability is contingent consideration relating to a business combination to which IFRS 3 applies; or
- 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 the Statement of Comprehensive Income to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in the Statement of Comprehensive Income 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 or losses are recognised in the Statement of Comprehensive Income.

2 Accounting policies (continued)

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

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

Trade payables
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.

2 Accounting policies (continued)

Cash flow hedges

The Company enters into forward contracts (and, in the year, also held cross currency swaps) to manage its exposure to foreign exchange rate risks. The Company 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 Company 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 Company 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 Company 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 year when the hedged item affects profit or loss, included in the same line as that which the hedged item affects.

Furthermore, if the Company 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 Company 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.

2 Accounting policies (continued)

Foreign currency transactions and balances

Foreign currency transactions are converted into the functional currency of the respective Group entity, using the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are converted into sterling 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 historical cost (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.

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.

Taxation

The tax expense for the period comprises current and deferred tax. 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.

Current tax

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

Deferred tax

Deferred tax is recognised in respect of all timing differences at the reporting date. Deferred tax assets are only recognised to the extent that it is probable they will be recovered against the reversal of deferred tax liabilities or against other future taxable profits. Deferred tax assets and deferred tax liabilities are only offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and if they relate to income taxes levied by the same taxation authority.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Finance income and costs policy

The Company's finance income and finance costs include:
- interest income
- unwind of discount on provisions
- unwind of discount on financial assets or liabilities, including lease liabilities and lease receivables

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

Interest earned on assets mandatorily required to be measured at FVTPL is recorded using the contractual interest rate.

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

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

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

4 Operating loss

The audit fee of £5k (2019: £42k) for the audit of the Company was paid by other group entities for which no recharge was made.

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

5 Finance income and finance costs

	2020 £ 000	2019 £ 000
Finance income		
Interest income on bank deposits	8	370
Interest on intercompany loan	36,519	8,000
	36,527	8,370
Finance costs		
Interest on bank and other borrowings	(170,487)	(96,253)
Unwinding of discount on financial liabilities	(36,047)	(7,046)
Interest on intercompany loans	(22,950)	-
	(229,484)	(103,299)
Net finance cost	(192,957)	(94,929)

5 Finance income and finance costs (continued)

As at 31 December 2020, finance income includes £36.5m (2019: £8.0m) of interest on loans from other group undertakings, note 11 for further details.

Interest on bank and other borrowings includes interest payable on the senior secured notes. These were repaid in full on 14 July 2020 when the Group issued new borrowings which included a privately placed term loan facility and a £300.0m committed Capex, Acquisition and Re-organisation (CAR) facility.

Intercompany interest is payable on a balance due to Ardonagh Midco 2 plc, a company under common control. Interest accrues at the rate applicable to Ardonagh Midco 2 plc's external debt and is payable quarterly in arrears.

6 Staff costs

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

7 Directors' remuneration

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

8 Income tax

Tax charged/(credited) in the Statement of Profit and Loss

	2020 £ 000	2019 £ 000
Current taxation		
UK corporation tax	(24,692)	(13,313)
UK corporation tax adjustment to prior periods	514	356
	(24,178)	(12,957)
Deferred taxation		
Origination and reversal of temporary differences	50	122
Adjustments in respect of prior periods	(50)	(72)
Effect of tax rate change on opening balances	(50)	-
Total deferred taxation	(50)	50
Income tax credit in the Statement of Profit and Loss	(24,228)	(12,907)

8 Income tax (continued)

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Loss before tax	(197,827)	(97,889)
Corporation tax at standard rate of 19% (2019: 19%)	(37,587)	(18,599)
Expenses not deductible for tax purposes	12,605	4,008
Group relief surrendered for nil consideration	290	-
Adjustments to brought forward values	-	1,311
Adjustments to tax charge in respect of previous periods - current tax	514	356
Adjustments to tax charge in respect of previous periods - deferred tax	(50)	(72)
Deferred tax charged directly to OCI	(423)	-
Deferred tax not recognised	858	-
Tax expense relating to changes in tax rates or laws	(435)	89
Total tax credit	(24,228)	(12,907)

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.

Deferred tax
Deferred tax assets and liabilities

2020	**Assets** **£000**
Hedging reserves	-

2019	**Assets** **£000**
Hedging reserves	372

8 Income tax (continued)

Deferred tax movement during the year:

	At 1 January 2020	Recognised in income	Recognised in equity	At 31 December 2020
	£000	£000	£000	£000
Hedging reserves	372	50	(422)	-

Deferred tax movement during the prior year:

	At 1 January 2019	Recognised in income	Recognised in equity	At 31 December 2019
	£000	£000	£000	£000
Hedging reserves	1,266	(50)	(843)	372

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 2020 continue to be measured at a rate of 19% as this was the substantively enacted rate at that date..

The company did not recognise deferred tax assets as follows:

	2020	2019
	£	£
Hedging reserves	1,918,411	-
Losses	3,665,410	3,270,630
Unrecognised deferred tax assets	**5,573,821**	**3,270,630**

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

9 Investments in subsidiaries undertakings

	£ 000
Cost or valuation	
At 1 January 2020	738,409
Additions	101,650
At 31 December 2020	840,059
Carrying amount	
At 31 December 2020	840,059
At 31 December 2019	738,409

9 Investments in subsidiaries undertakings (continued)

During the year, the Group completed a number of transactions with non-controlling interests which resulted in the Company investment in its direct subsidiary, Ardonagh Finco plc, increasing by £101.7m in the year.

The registered office of the subsidiary detailed below is: 2 Minster Court, Mincing Lane, London, EC3R 7PD.

Details of the subsidiary as at 31 December 2020 are as follows.

Name of subsidiary	Principal activity	Country of incorporation and Principal place of business	Company interest in ordinary share capital and voting rights held 2020	2019
Ardonagh Finco plc	Holding company	England	100%	100%

10 Cash at bank and in hand

	2020 £ 000	2019 £ 000
Own funds	44,547	4,916

11 Trade and other receivables

	2020 £ 000	2019 £ 000
Non-current trade and other receivables		
Loans to related parties	670,304	68,000
	670,304	68,000
Current trade and other receivables		
Receivables from other Group companies	1,042,465	1,015,484
Prepayments	15	1,512
Other receivables	-	2,393
	1,042,480	1,019,389

On 14 July 2020, the Company entered into two new loan agreements with Ardonagh Finco Plc, a fellow Group company. These intragroup loans accrue interest at 10.25% over their three year term.

During the year, the Company made an additional provision of £3.4m (2019: £0.1m) against receivables from relating parties. The directors believe that the remaining intercompany receivables are recoverable. The balances are unsecured, interest free and repayable on demand.

12 Trade and other payables

	2020 £ 000	2019 £ 000
Current trade and other payables		
Accrued expenses	1,333	-
Amounts due to other Group companies	267,255	292,330
	268,588	292,330

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

13 Borrowings

	2020 £ 000	2019 £ 000
Non-current loans and borrowings		
Loans from related parties	380,462	-
Secured loan and other borrowings	1,552,718	1,096,598
	1,933,180	1,096,598

	2020 £ 000	2019 £ 000
Current loans and borrowings		
Loans from related parties	22,009	-
Secured loan and other borrowings	46,909	43,899
	68,918	43,899

The principal features of the Company's borrowings are as follows:

- A privately placed term loan facility due 2026' entered into on 14 July 2020 comprising £1,412.8m denominated in pounds sterling and EUR 180.0m denominated in euros. The term facility attracts a 7.5% interest rate (which excludes the payment in kind premiums and LIBOR floors.)
- An intragroup loan with Ardonagh Midco 2 plc to borrow $500.0m on the terms and subject to the conditions set out in the loan agreement, which the Company used to lend to certain subsidiaries in order to fund acquisitions.

14 Derivatives

The Company has economic hedge relationships that mitigate foreign exchange risk arising from its USD borrowings. The Company also has economic hedge relationships that mitigate interest rate risk arising from its IBOR-based senior secured term loan that was entered into in July 2020. The Company applies hedge accounting for those hedge relationships that meet the hedge accounting criteria. The Company 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 Company has the following derivative financial instruments as at the end of the year:

	2020 £000	2019 £000
Non-current assets		
Derivatives hedging borrowings	446	74
Current assets		
Derivatives hedging borrowings	-	2,989
Current liabilities		
Derivatives hedging borrowings	(955)	(1,970)
Non-current liabilities		
Derivatives hedging borrowings	(50,735)	(19,442)
Net derivative financial instrument liabilities	**(51,244)**	**(18,349)**

The Company'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.

Derivatives hedging borrowings

The Company has foreign currency fixed rate notes in issue for funding purposes. In accordance with its risk management strategy, the Company had until June 2020 held cross currency swap contracts to mitigate 100% of the risk of fluctuation of coupon and principal cash flows due to changes in foreign currency rates of issued foreign currency borrowings. These instruments had been entered into to match the maturity profile of estimated repayments of the Company's borrowings. Under those arrangements, the Group received a USD coupon matching its interest obligations under the USD borrowings, and it paid a fixed GBP coupon at specified half-yearly intervals (January and July). The Company had designated the cross-currency swaps as cash flow hedge relationships to hedge against movements in USD.

During June 2020, the Group made the following changes to its hedging instruments, given the Company's plan (which was subsequently executed) to repay its existing borrowings and issue new borrowings in July 2020:

• The Group terminated its existing cross-currency swaps in June 2020, while deferring the settlement of a portion thereof to match the expected repayment of the existing borrowings in July 2020, such that this portion acted as a forward contract. Where derivatives were terminated without deferred settlement, hedge accounting was discontinued in June 2020 and the related cash flow hedging reserve was reclassified to profit or loss, whereas this discontinuance and reclassification was applied in July 2020 for those derivatives terminated with deferred settlement; and

• Entered into new USD forward contracts to hedge the foreign currency risk on $677.0m payments of principal and interest relating to USD 500.0m PIK toggle notes due 2027 that were subsequently issued in July 2020.

15 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £0.01 each	68,888,488	688,885	58,723,520	587,235

New shares allotted

During the year 10,164,967,610 Ordinary shares having an aggregate nominal value of £101,649,676 were allotted for an aggregate consideration of £101,649,676.

16 Related party transactions

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

Business was also conducted, on an arm's length basis, within The Ardonagh Group Limited group of companies. The table below shows the transactions and balances with entities that form part of the Group but are not wholly owned by The Ardonagh Group Limited.

	2020	2020	2020	2019	2019	2019
	Paid to	Received from	(Due to) /receivable from at year end	Paid to	Received from	(Due to) / receivable from at year end
	£000	£000	£000	£000	£000	£000
Towergate Financial (Group) Limited	-	-	(394)	289	-	(394)
Oyster Property Insurance Specialists Limited	-	-	(1)	-	-	(1)
Towergate Financial (West) Limited	-	-	13	-	-	13
Oyster Risk Solutions Limited	-	-	469	-	-	469
Nevada Investments 1 Limited	-	(202)	(191)	-	-	11
Nevada Investments 3 Limited	-	-	(22,555)	-	-	(22,555)

16 Related party transactions (continued)

Carole Nash Insurance Consultants Limited	297	-	2,599	-	-	2,301
Price Forbes Risk Solutions	-	-	446	-	-	446
Swinton Properties Limited	-	-	73	-	-	73
Atlanta Investment Holdings B Limited	-	-	(18,323)	-	-	(18,323)
Swinton (Holdings) Limited	-	-	(203)	-	-	(203)
Atlanta Investment Holdings 3 Limited	193	-	1,160	-	-	968
Atlanta 1 Insurance Services Limited	580	-	(812)	-	-	(1,392)
Atlanta Investment Holdings 2 Limited	26	-	(133)	-	-	(159)
Atlanta Investment Holdings Limited	-	-	(4,241)	-	-	(4,241,144)
'Atlanta Investment Holdings A Limited	-	-	(6,337,368)	-	-	(6,337,368)
Towergate Financial (East) Limited	-	-	(17,840)	-	-	(17,840)
Swinton Group Limited	11,788	-	(3,010)	-	-	(14,798)
Towergate Financial (Scotland) Limited	-	-	2	-	-	2
KDB Medicals Limited	-	-	(9)	-	-	(9)
Towergate Financial (North) Limited	-	-	3	-	-	3
Autonet Law LLP	-	(76)	-	-	-	76

17 Commitments

Guarantees

On 14 July 2020, the Group issued new borrowings, with Ardonagh Midco 2 Plc issuing $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 pound sterling and €180.0m denominated in euro. A £300.0m CAR facility due 2026 and a £191.5m RCF due 2026 were also issued on 14 July 2020. On 22 October 2020, £50.0m was drawn on the CAR facility to fund acquisitions, which left £250.0m of the CAR facility still available at 31 December 2020 and a further £150.0m has since been drawn to fund further acquisitions at the date of this report. The RCF is not drawn at the date of this report.

The Group utilised the new borrowings to repay its existing borrowings, the repayment of which released Ardonagh Midco 3 plc from its obligations under those borrowings, including the existing RCF, and the Group then issued 7.500% and 11.500% notes, which were guaranteed and secured by Ardonagh Midco 2 plc, the immediate parent company of Ardonagh Midco 3 plc, and by all its material and certain other subsidiaries. The settlement of the existing borrowings resulted in an early repayment charge of £49.3m.

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.

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

Arachas Corporate Brokers Limited	Ardonagh Midco 3 Plc (Issuer of the private debt; only a guarantor under the $500m public notes)
Ardonagh Advisory Holdings Limited	Ardonagh Finco Plc
Ardonagh Services Limited	Ardonagh Specialty Holdings Limited
Atlanta 1 Insurance Services Limited	Bishopsgate Insurance Brokers Limited
Bravo Investment Holdings 3 Limited	Bravo Investment Holdings 4 Limited
Carole Nash Insurance Consultants Limited	Finch Commercial Insurance Brokers Ltd
Geo Underwriting Services Limited	Hawkwood Investment Holdings Limited
Health and Protection Solutions Limited	Paymentshield Limited
Price Forbes & Partners Limited	Swinton Group Limited
The Broker Network Limited	Towergate Underwriting Group Limited
URIS Group Limited	Verulam Holdings Limited

18 Parent and ultimate parent undertaking

The Group's majority shareholder and ultimate controlling party at 31 December 2020 is HPS Investment Partners LLC. The parent company of the largest group that prepares group financial statements at 31 December 2020 that consolidate the Company is The Ardonagh Group Limited (incorporated in Jersey, registered office address 3rd Floor, 44 Esplanade, St Helier, Jersey, JE4 9WG). The parent company of the smallest group that prepares group financial statements at 31 December 2020 that consolidate the Company is Ardonagh Midco 2 plc (incorporated in Great Britain, registered office address 2 Minster Court, London, EC3R 7PD). Financial statements for The Ardonagh Group Limited and Ardonagh Midco 2 plc are available on request from:

2 Minster Court
Mincing Lane
London
EC3R 7PD

19 Subsequent events

On 19 April 2021, Nevada 5 Topco Limited purchased 15,000,000 of the 20,000,000 A ordinary shares in Nevada 5 Midco 2 Limited from minority shareholders in exchange for issuing its own ordinary shares, and these ordinary shares were then exchanged for ordinary shares in Ardonagh Services Limited, then for ordinary shares in Ardonagh Finco plc, then for ordinary shares in Ardonagh Midco 3 plc, then for ordinary shares in Ardonagh Midco 2 plc, then for ordinary shares in Ardonagh Midco 1 Limited, and then for 6,273,699 The Ardonagh Group Limited ordinary shares. As a result, the Company issued 1,500,607,761 ordinary shares with a nominal value of £0.01 each.

Also, on 19 April 2021, Nevada 5 Topco Limited purchased 2,549,381 of the 5,098,762 B ordinary shares of Nevada 5 Midco 2 Limited in exchange for issuing its own ordinary shares, and these ordinary shares were then exchanged for ordinary shares in Ardonagh Services Limited, then for ordinary shares in Ardonagh Finco plc, then for ordinary shares in Ardonagh Midco 3 plc, then for ordinary shares in Ardonagh Midco 2 plc, then for ordinary shares in Ardonagh Midco 1 Limited, and then for 1,066,270 new The Ardonagh Group Limited B ordinary shares. As a result, the Company issued 85,754,873 ordinary shares with a nominal value of £0.01 each.