Registration number: 00149526

Bishopsgate Insurance Brokers Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020

Contents

Company Information

Directors	A Erotocritou J Masterton G Kilby
Company secretary	D Clarke
Registered office	1 Minster Court London EC3R 7AA United Kingdom
Auditor	Deloitte LLP 1 New Street Square London EC4A 3HQ United Kingdom

Bishopsgate Insurance Brokers Limited

Strategic Report for the Year Ended 31 December 2020

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

Principal activities and business review
The principal activity of the Company is the provision of wholesale insurance services, being a Lloyd's broker.

The results for the Company show turnover of £13.4m (2019: £13.2m) and loss after tax of £307,686 (2019 restated: profit £159,618) for the year. At 31 December 2020 the Company had net assets of £5.4m (2019 restated: £5.6m). The going concern note (part of accounting policies) on pages 15 and 16 sets out the reasons why the directors continue to believe that the preparation of the financial statements on a going concern basis is appropriate, taking into account COVID-19 ramifications. A restatement was made to prior year profits which is detailed in note 20.

Business strategy and objectives
The business strategy of the Company will focus on providing insurance intermediary services across niche and specialist lines of business, and whilst predominantly based in the UK the Company recognise the opportunity that European and North American expansion offers to add further distribution channels.

The Company continues to emphasise the fundamental importance of putting customers first. The Company has developed policies and processes with the aim of treating every customer fairly and consistently. This includes endeavouring to provide customers with the best products, advice and service, which can build loyalty and advocacy, that in turn strengthens reputation and supports profits. Serving customers well involves high standards of underwriting and pricing, a customer-focused approach pre and post transaction, and dealing with any concerns or complaints promptly and fairly. The development of strong customer relationships assists in sustained income growth. The Company focuses on increasing retention rates and attracting new customers.

The Company aspires to creating a high performance culture, and the delivery of excellent customer service through employing, developing, and retaining highly engaged and capable people. The Company fosters a supportive environment in which our people continuously learn and develop. The Company's culture, development opportunities, and reward structure positions it to attract and retain highly motivated staff. We create a shared understanding of the Company's strategic goals and objectives, building the capabilities of leaders to manage performance and ensuring every employee has the knowledge, skill and capability to perform their role.

Outlook
The Company will focus on increasing retention rates and attracting new customers through placing fundamental importance on putting customers first. The Company also aspires to create a high performance culture, creating excellent customer service through highly engaged employees.

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

	Unit	2020	As restated 2019
Revenue	£m	13.4	13.2
Profit/(loss) before tax	£m	0.6	0.4
Net assets	£m	5.4	5.6

Income has increased from £13.2m in 2019 to £13.4m in 2020 mainly due to further growth of business from North America either conducted through binding authorities or the development of new business produced by the Energy team.

The profit before tax has increased from a profit of £0.4m in 2019 to £0.6m in 2020 due to the expansion noted above.

Key performance indicators (continued)
The Company actively encourages all employees to become involved in Company affairs and is also keen to encourage two way communications on relevant business issues. This is achieved through regular employee meetings and presentations by senior management and is supported by Company and the wider Ardonagh Group communication plans. Further discussions on employee matters can be found in the directors' report.

Principal risks and uncertainties

Risk management
The Company 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.

The principal risks and their mitigation are as follows:

Strategic and commercial risk
There are risks of changes to the competitive and economic environment. This is mitigated by a robust strategy and planning process, regular monitoring of economic and competitive environment and diversification of product lines and channels.

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

The Company and Group have considered the consequences and ramifications of the Covid-19 pandemic. Business Continuity Plans are in place across each of the 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 Company's infrastructure, and to facilitate home working for a significant portion of the 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. The Company continues to review this approach in line with the latest developments and government guidance. Insurance broking is a resilient and defensive market, which has historically had limited impact from past economic or capital market downturns. As a Group, Ardonagh is highly diversified and not materially exposed to a single carrier, customer, or market sector.

The Company has sufficient liquidity to withstand a period of potential poor trading resulting from a sustained impact of Covid-19 and closely monitors available liquidity on an ongoing basis.

Operational risk
There is the risk of losses arising from inadequate or failed internal processes or systems, from personnel and / or from external events. The Company is committed to undertaking a series of activities that are linked to the Transformation strategy. These activities are targeted at driving operational effectiveness, cost synergies, and better management of operational risks and have involved substantial investment in systems and technology. In addition, the Company continues to follow a stated strategy of continued development in our people and corporate culture.

The Company's business depends on the ability of employees to process transactions using secure information systems. The capacity to service customers depends on storing, retrieving, processing and managing information. Interruption or loss of information processing capabilities through loss of stored data, the failure of computer equipment or software systems, a telecommunications failure or other disruption could have a material adverse effect on business, results of operations and financial condition. To mitigate these risks the Company has certain disaster recovery procedures in place and insurance to protect against such contingencies.

Regulatory and legal risk
This is the risk of regulatory sanctions, material financial loss or loss to reputation suffered as a result of non compliance with laws, regulations and applicable administrative provisions. This risk is mitigated through a formal control framework, training, professional indemnity insurance and governance oversight. Management closely monitors changes to the regulatory environment.

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

Volatility in premiums and insurance market cycle
The Company derives most of its revenue from commissions and fees for broking services. Its 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 material adverse effect on the results of operations and the Company's financial condition. This risk is mitigated by ensuring that the Company has a range of products and by diversifying its portfolio. This should reduce the effect of a cycle on one specific class of business.

Approved by the Board on 27 May 2021 and signed on its behalf by:

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A Erotocritou
Director

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 date of signing, were as follows:

A Erotocritou (appointed 24 April 2019)

J A Masterton (appointed 22 September 2020)

G I Kilby (appointed 22 September 2020)

J J Turnbull (resigned 22 September 2020)

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

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 'Risk management' section on pages 3 and 4.

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).

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

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

From 2021, the Group will monitor is Environmental, Social and Governance (ESG) progress against the Ardonagh Sustainability Charter which will address five key objectives including environmental impact and diversity and inclusion. Further details on the ESG strategy can be found in The Ardonagh Group Limited annual report

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 the next 12 months from date of approval of the Financial Statements. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Further details of this assessment can be found in note 2 to these financial statements.

Directors' liabilities

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

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware. This confirmation is given and should be interpreted in accordance with the provision of S418 of the Companies Act 2006.

Appointment of auditor

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

Approved by the Board on 27 May 2021 and signed on its behalf by:

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A Erotocritou
Director

Bishopsgate Insurance Brokers Limited

Directors' Responsibilities Statement

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

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

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent Auditor's Report to the Members of Bishopsgate Insurance Brokers Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Bishopsgate Insurance Brokers Limited (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 21.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

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.

Independent Auditor's Report to the Members of Bishopsgate Insurance Brokers Limited

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

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

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

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

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

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

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, 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 and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- Manipulation of revenue submission: As EBITDA is the primary driver for the bonus decisions, there is a risk of manipulation around the submission of revenue based on budget vs actual performance. We have pinpointed the risk to those divisions who have struggled against or exceeded budget throughout the year. We have performed the following:
    - Performed an analysis of the divisional performance regarding revenue actuals v budget throughout the year, to determine any unusual trends in reporting during Q3 and Q4; and
    - Tested a sample of transactions in the identified divisions processed and reversed in December 2020 and January 2021. For each selection, we inspected the supporting documentation for the policy to understand if the transaction was appropriately processed.

Independent Auditor's Report to the Members of Bishopsgate Insurance Brokers Limited

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 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, reviewing internal audit reports and reviewing correspondence with Financial Conduct Authority.

Report on other legal and regulatory requirements

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

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

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

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

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

We have nothing to report in respect of these matters.

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

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Andrew Downes, ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
27 May 2021

Bishopsgate Insurance Brokers Limited

Statement of Comprehensive Income for the Year Ended 31 December 2020

	Note	2020 £	As restated 2019 £
Revenue	4	13,374,682	13,171,825
Amortisation and other amounts written off intangibles	11	(240,436)	(224,370)
Administrative expenses		(12,357,023)	(12,528,060)
Operating profit	5	777,223	419,395
Losses on derivative instruments	8	(173,283)	-
Profit before tax		603,940	419,395
Income tax (charge)	9	(911,626)	(259,777)
Net (Loss)/Profit for the year		(307,686)	159,618

The above results were derived from continuing operations.

The notes on pages 14 to 34 form an integral part of these financial statements.

Bishopsgate Insurance Brokers Limited
(Registration number: 00149526)

Statement of Financial Position as at 31 December 2020

	Note	2020 £	As restated 2019 £
Assets			
Non-current assets			
Property, plant and equipment	10	95,495	129,641
Intangible assets	11	3,547,930	3,788,366
Deferred tax assets	9	-	710,147
		3,643,425	4,628,154
Current assets			
Trade and other receivables	12	16,854,376	11,989,049
Income tax asset		-	-
Cash and cash equivalents	13	26,761,152	22,905,284
		43,615,528	34,894,333
Total assets		47,258,953	39,522,487
Equity and liabilities			
Equity			
Called up share capital	14	6,800,100	6,800,000
Other reserves		166,960	12,022
Retained losses		(1,518,236)	(1,210,550)
		5,448,824	5,601,472
Non-current liabilities			
Deferred tax liabilities	9	-	-
Current liabilities			
Trade and other payables	15	41,810,129	33,921,015
Provisions	18	-	-
		41,810,129	33,921,015
Total liabilities		41,810,129	33,921,015
Total equity and liabilities		47,258,953	39,522,487

Approved by the Board on 27 May 2021 and signed on its behalf by:

Erotocritou

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A Erotocritou
Director

The notes on pages 14 to 34 form an integral part of these financial statements.

Bishopsgate Insurance Brokers Limited

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

	Note	Share capital £	Other reserves £	Retained losses £	Total £
At 1 January 2020		6,800,000	12,022	(1,210,550)	5,601,472
Net loss for the year		-	-	(307,686)	(307,686)
Issue of G1 Shares		100	-	-	100
Share based payment transactions		-	154,938	-	154,938
At 31 December 2020		6,800,100	166,960	(1,518,236)	5,448,824

	Note	Share capital £	Other reserves £	Retained losses £	Total £
As previously stated at 1 January 2019		6,800,000	1,190	(1,526,447)	5,274,743
Adjustment to restate net loss opening balance	20	-	-	156,279	156,279
As restated at 1 January 2019		6,800,000	1,190	(1,370,168)	5,431,022
Net loss for the year		-	-	(10,869)	(10,869)
Adjustment to restate net loss	20	-	-	170,487	170,487
Share based payment transactions		-	10,832	-	10,832
As restated at 31 December 2019		6,800,000	12,022	(1,210,550)	5,601,472

The notes on pages 14 to 34 form an integral part of these financial statements.

1 Authorisation of financial statements

The company is a private company limited by share capital incorporated and registered in England, in the United Kingdom under Companies Act 2006.

The address of its registered office is 1 Minster Court, London, England, EC3R 7AA. The principal business activities of the Company are described in the Strategic Report.

The financial statements for the year ended 31 December 2020 were authorised for issue by the Board on 27 May 2021 and the statement of financial position was signed on the Board's behalf by A Erotocritou.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

These financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' and Companies Act 2006.

These financial statements have been prepared on a historical cost basis. The financial statements are presented in GBP sterling (£), which is also the Company's functional currency.

The directors have considered the guidance of the UK Financial Reporting Council and events relating to the spread of coronavirus (Covid-19) and have treated this as a non-adjusting subsequent event in these financial statements, see note 20.

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

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

(a) the requirements of IFRS 7 Financial Instruments: Disclosures and of paragraphs 91-99 of IFRS 13 Fair Value Measurement apart from those which are relevant for the financial statements which are held at fair value not held as part of a trading portfolio;

(b) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to provide comparative period reconciliations in respect of outstanding shares, property, plant & equipment and intangible assets;

(c) the requirements in paragraph 10(d) and 111 of IAS 1 Presentation of Financial Statements to prepare a Cash flow statement and the requirements in IAS 7 Statement of Cash Flows regarding the same;

(d) the requirements in paragraph 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements, which includes the need to provide details on capital management;

(e) 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;

(f) the requirements in paragraphs 17 and 18A of IAS 24 Related Party Disclosures around the need to disclose information on key management personnel and details on related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member; and

2 Accounting policies (continued)

(g) the requirements of paragraphs 134(d) - 134(f) and 135(c) - 135(e) of IAS 36 Impairment of Assets in respect of disclosure of assumptions on which projections used in the impairment review are based and sensitivity analysis.

(h) FRS 101 provide certain disclosure exemptions in relation to IFRS15 and the Company has taken advantage of the following disclosure exemptions:

a) The requirement of paragraph 114-115 to disclose disaggregated of revenue;

b) The requirements of paragraph 118 of IFRS 15 to disclose and explanation of significant changes in the contract asset and the contract liability balances during the reporting period;

c) The requirement of paragraph 120 to 125 to disclose information about the remaining performance obligation and judgments or changes in judgements; and

d) The requirement of paragraph 126 and 127 to disclose the method, inputs and assumptions used to determine the contract price.

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

Going Concern

The financial statements of the Company have been prepared on a going concern basis. At 31 December 2020, the Company had net assets of £5.4m (2019 restated: £5.6m) and net current assets of £1.8m (2019 restated: £1.0m). The net current assets include amounts receivable from related parties of £7.0m (2019: £5.3m), and amounts due to related parties of £9.3m (2019: £8.3m).

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 immediate 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 also taken into account the following in respect of the Group:

- The change in the Group's capital structure, operations and liquidity following the 14 July 2020 issuance of new borrowings, which the Group used to repay its existing borrowings and to fund acquisitions.
- Adjustments included for the forecast cashflows from the material acquisitions completed at the date of finalisation of the Group's base case budget.
- 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 trading and cashflows that arose in 2020 and the first three months of 2021, which are ahead of prior year and above the 2021 plan.

Key assumptions made by the Group 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.
- Following the commencement of the main settlement of the ETV liabilities during the third quarter of 2019, the Group completes the settlement during the second quarter of 2021.
- Client retention and renewal rates continue to be robust, despite the current economic uncertainty, as the 2020 trading performance has demonstrated resilience across the Group.

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

- Shortfalls in base case projected income throughout 2021 and 2022.
- Deterioration in base case cash conversion rates over and above the fall in income and a 5% deterioration in the quantum of the estimate of the total ETV redress settlement costs.

2 Accounting policies (continued)

- Mitigating actions within management control including delayed capital expenditure, a reduction in discretionary spend and some reduction in employee headcount and remuneration.

Actual trading in 2020 significantly exceeded the prior year going concern stresses and 2019 results.

The Group has additionally modelled reverse stress scenarios, including assessing what triggers would result in a default on their term debt facilities that would require a technical repayment obligation. The stresses needed for this to happen significantly exceed the key stress scenarios above. The Group considers these extreme stress conditions to be a remote possibility.

Other mitigations which may be possible but have not been included in the above analysis include seeking shareholder support and further incremental and more prolonged cost reductions.

The Directors have also considered the wider operational consequences and ramifications of the Covid-19 pandemic.

- 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. Ardonagh 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 the Covid-19 pandemic 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 either the Company's or Group's ability to continue as a going concern.

Property, plant and equipment

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

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

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Assets class	**Depreciation method and rate**
Leasehold improvements	Over the remaining life of the lease
Fixtures and fittings	15% per annum straight line
Furniture and office equipment	20% per annum straight line
Computer equipment	25% per annum straight line

2 Accounting policies (continued)

Intangible assets

Customer relationships

Customer relationships intangible assets exist through business combinations when the acquirer is able to benefit from selling future new business through existing relationships. Their fair value has been 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 10 years, which is estimated by reference to the history of the relationships and levels of attrition.

Computer software

Acquired computer software licences exist either through business combinations when they are separable or are purchased separately and are capitalised on the basis of the costs incurred to acquire them. Their fair value has been calculated by using the net book value acquired. These costs are amortised on a straight line basis over their estimated useful lives of four years.

Internally-generated computer software and assets under construction

Expenditure on research activities is recognised as an expense in the year in which it is incurred.
An internally-generated intangible asset arising from development of computer software (or from the development phase of an internal project) is recognised if and only if all the following conditions have been demonstrated:

• the technical feasibility of completing the intangible asset so that it will be available for use or sale;

• the intention to complete the asset and use or sell it;

• the ability to use or sell the intangible asset;

• how the intangible asset will generate future economic benefits;

• the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

• the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Subsequent to initial recognition, internally-generated intangible assets when ready for use as intended by management are transferred to the appropriate intangible asset class and reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Internally-generated intangible assets are amortised on a straight-line basis over their estimated useful lives of four years. In the period between initial recognition and ready for use no amortisation is charged on internally-generated intangible assets.

Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in Statement of Comprehensive Income.

Goodwill is tested annually for impairment and 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 purpose of impairment testing.

2 Accounting policies (continued)

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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

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

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset Class	Amortisation method and rate
Customer relationships	Straight line over 10 years
Computer software	Straight line over 4 years

Taxation

Current tax

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

Deferred tax

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

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

2 Accounting policies (continued)

Revenue

The Company uses the modified retrospective approach without restatement.

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

Commission and fees

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

The Company 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 to pay in instalments or are directed to a third-party premium credit provider. Some of the Company's policies are rolling until the customer cancels the policy.

The Company utilises the practical expedient in IFRS 15 not to adjust the amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between when the Company transfers a service to a customer and when the customer pays for that service will be one year or less.

Post-placement performance obligations

The Company 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 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 presented as a contract liability. Revenue for post-placement obligations is recognised over the period of providing the services.

Variable consideration

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

• Profit share arrangements - these are trading deals with insurers which include incentives and penalties based on performance of the book of business for an accident year. Revenue related to these arrangements is recognised on a best estimate basis, only to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur (a constraint).

Under the profit share arrangements, an additional commission is earned from the insurer based on the profit from the underlying book of business or the number of policies placed. The estimated profit share is recognised as a contract asset and is reclassified to trade and other receivables when the final results are determined. Some profit commissions may be provided in advance, in which case they can be subject to a clawback. Advanced profit share is recognised as a contract liability until the Company performs the underlying obligations.
Under IAS 18, profit commission was recognised at a point when it can be measured with reasonable certainty, which was in some cases later than under IFRS 15.

2 Accounting policies (continued)

• Some contracts with customers include cancellation rights, whereby the commission receivable by the Company is subject to a clawback. Some policies placed by the Company are rolling until the customer cancels the policy. 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 Company 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 Company reassess at the end of the reporting period whether the estimated clawback needs to be revisited. Amounts that are expected to be refunded are recognised in trade and other payables. Revenue recognised on rolling contracts (based on the expected consideration net of cancellations) is presented in contract assets until the consideration is invoiced.

Other income

Other income represents rent receivable and service charges receivable in respect of sub-let properties.

Contract costs (other assets)

Contract costs are assets recognised in accordance with IFRS 15. The Company capitalises costs to fulfil contracts with customers which are salary and other costs of customer-facing employees who undertake activities necessary to satisfy contracts with the customer. The Company 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 1-3 months of the reporting period. Contract costs are presented within 'other assets' when recognised in the statement of financial position.

Insurance transactions

Insurance brokers act as agents in placing the insurable risks of their clients with insurers and, as such, are not liable as principals for amounts arising from such transactions. In recognition of this relationship, debtors from insurance broking transactions are not included as an asset of the Company. Other than the receivable for fees and commissions earned on a transaction, no recognition of the insurance transactions 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.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

2 Accounting policies (continued)

Employee benefits

Pension costs

The Company operates a defined contribution pension scheme. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity.

The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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

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.

3 Critical accounting estimates and judgements

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

Deferred tax assets

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

The deferred tax asset as at 31 December 2020 is £0.0m (31 December 2019: £0.7m), see Note 9.

3 Critical accounting estimates and judgements (continued)

Key sources of estimation uncertainty

Revenue recognition

The Company is a party to profit sharing 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 profit sharing arrangements is inherently uncertain.

The Company 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, to the extent that a significant reversal will not occur (a constraint).

In making the estimate, the Company uses historical, current and forecast information that is reasonably available to it. When the results underlying these arrangements are highly susceptible to factors outside the Company's influence and the Company's experience has limited predictive value, then a higher constraint is applied (in some cases - fully constrained).

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 being reviewed by the Company 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.

Impairment of assets

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

Notes to the Financial Statements for the Year Ended 31 December 2020

4 Revenue

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

	2020 £	2019 £
Commission and fees	13,374,682	13,171,825

The analysis of the company's revenue for the year by market is as follows:

	UK	Rest of Europe	North America	Other	Total
1 January 2020 to 31 December 2020	**£**	**£**	**£**	**£**	**£**
Commission and fees	4,823,623	360,834	7,364,100	826,125	13,374,682
	4,823,623	360,834	7,364,100	826,125	13,374,682

	UK	Rest of Europe	North America	Other	Total
1 January 2019 to 31 December 2019	**£**	**£**	**£**	**£**	**£**
Commission and fees	4,535,083	329,078	8,239,698	67,966	13,171,825
	4,535,083	329,078	8,239,698	67,966	13,171,825

5 Operating profit

Arrived at after charging/(crediting)

	2020 £	2019 £
Depreciation expense	38,264	37,732
Amortisation expense	240,436	224,370
Auditor's remuneration: audit of these financial statements	60,793	38,850
Auditor's remuneration: audit of client money	40,000	27,500
Other gains	-	-
Loss on disposal of tangible assets	-	-
Gain on disposal of intangible assets	(169,858)	-
Management charge paid to parent	2,035,387	1,673,316

5 Operating profit (continued)

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.

Management fees of £2,035,387 (2019: £1,673,316) relate to the central recharges, centralised IT, staff and property costs are recharged across cost centres with the rest of the group.

6 Staff costs

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

	2020 £	2019 £
Wages and salaries	4,177,445	5,941,957
Social security costs	352,711	692,413
Pension costs, defined contribution scheme	50,289	57,690
	4,580,445	6,692,060

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

	2020 No.	2019 No.
Administration	5	7
Sales	59	58
Management	3	2
	67	67

7 Directors' remuneration

	2020 £	2019 £
Aggregate emoluments	234,178	275,287
Company contributions payable to defined contribution pension scheme	11,530	-

	2020	2019
Number of directors who are members of defined contribution scheme	-	-
Number of directors who exercised options/restricted stock	-	-
Number of directors who were granted shares under the Ardonagh Group management incentive plan	3	-

	2020 £	2019 £
In respect of highest paid director:		
Emoluments	113,500	242,279
Company contributions payable to defined contribution pension scheme	10,542	-

8 Reconciliation of loss on derivative instruments

	2020	2019
	£	£
Fair value transferred 1st January	140,919	-
Fair value movement during year	(314,202)	-
Crystallised loss	(173,283)	-

9 Income tax

Tax credited in the statement of comprehensive income

	2020	2019
	£	£
Current taxation		
UK corporation tax	204,271	142,920
UK corporation tax adjustment to prior periods	(2,792)	-
	201,479	142,920
Deferred taxation		
Arising from origination and reversal of temporary differences	820,322	45,738
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(23,826)	71,119
Effect of tax rate change on opening balance	(86,349)	-
Total deferred taxation	710,147	116,857
Tax charge/(credit) in the Statement of Comprehensive Income	911,626	259,777

The differences are reconciled below:

	2020	2019
	£	£
Profit/(Loss) before tax	603,940	248,908
Corporation tax at standard rate of 19% (2018: 19%)	114,749	47,293
Expenses not deductible for tax purposes	36,568	46,357
Adjustments to tax charge in respect of previous periods - current tax	(2,792)	-
Adjustments to tax charge in respect of previous periods - deferred tax	(23,826)	71,119
Tax expense relating to changes in tax rates or laws	(93,289)	1,558
Deferred tax not recognised	880,216	58,986
Deferred tax unwind of intangible assets	-	(18,644)
Fixed asset differences	-	53,108
Total tax charge	911,626	259,777

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.
The Company has unrecognised deferred tax assets at 31 December 2020 of £939,202 (2019: £58,986) in relation to fixed assets totalling £57,117 (2019: £58,986), and losses totalling £882,085 (2019: £nil).

9 Income tax (continued)

Deferred tax

2019	Asset £	Liability £	Net deferred tax £
Other items	-	(110,283)	(110,283)
Tax losses	789,234	-	789,234
Accelerated tax depreciation	31,196	-	31,196
	820,430	(110,283)	710,147

Deferred tax movement during the year:

	At 1 January 2020 £	Recognised in income £	At 31 December 2020 £
Other items	(110,283)	110,283	-
Provisions/Tax losses	789,234	(789,234)	-
Accelerated tax depreciation	31,196	(31,196)	-
Net tax (liabilities)/assets	710,147	(710,147)	-

Deferred tax movement during the prior year:

	At 1 January 2019 £	Recognised in income £	At 31 December 2019 £
Other items	(126,964)	16,681	(110,283)
Provisions/Tax losses	860,001	(70,767)	789,234
Accelerated tax depreciation	93,967	(62,771)	31,196
Net tax (liabilities)/assets	827,004	(116,857)	710,147

10 Property, plant and equipment

	Leasehold improvements £	Computer equipment £	Furniture and office equipment £	Total £
Cost or valuation				
At 1 January 2020	65,339	69,466	69,149	203,954
Additions	-	4,118	-	4,118
At 31 December 2020	65,339	73,584	69,149	208,072
Depreciation				
At 1 January 2020	13,202	33,371	27,740	74,313
Charge for the year	6,534	17,901	13,829	38,264
At 31 December 2020	19,736	51,272	41,568	112,576
Carrying amount				
At 31 December 2020	45,603	22,312	27,580	95,495
At 31 December 2019	52,137	36,095	41,409	129,641

11 Intangible assets

	Goodwill £	Customer relationships £	Computer software £	Total £
Cost or valuation				
At 1 January 2020	4,029,382	855,458	619,559	5,504,399
Additions	-	-	-	-
At 31 December 2020	4,029,382	855,458	619,559	5,504,399
Amortisation/Impairment				
At 1 January 2020	1,215,371	206,736	293,926	1,716,033
Amortisation charge	-	85,546	154,890	240,436
At 31 December 2020	1,215,371	292,282	448,816	1,956,469
Carrying amount				
At 31 December 2020	2,814,011	563,176	170,743	3,547,930
At 31 December 2019	2,814,011	648,722	325,633	3,788,366

Impairment testing

Management reviews business performance based on lines of business. Goodwill is allocated to, and subsequently tested for impairment at Company level.

The recoverable value of the Company is determined as the higher of fair value less costs to sell (FVLCS) or value in use (VIU), in accordance with the Company's accounting policy. For the year end 31 December 2020, the recoverable amount of the Company was determined to be FVLCS.

FVLCS is considered to be a level 3 valuation in the fair value hierarchy, as it is not based on observable market data. It is derived based on Company's net assets and its future economic rights which is an average of a multiple of revenue and a multiple of EBITDA.

The FVLCS allocated to the Company is equal to, or in excess, of the respective carrying value and no impairment of goodwill is necessary for the year ended 31 December 2020.

12 Trade and other receivables

	2020 £	As Restated 2019 £
Current trade and other receivables		
Trade receivables in relation to insurance transactions	8,393,340	5,789,062
Provision for impairment of trade receivables	(555,880)	(1,681,424)
Net trade receivables	7,837,460	4,107,638
Receivables from other group companies (unsecured, interest free)	7,028,801	5,270,934
Accrued income	182,771	668,108
Prepayments	243,792	583,968
Other receivables	1,059,060	711,936
Other assets (costs to fulfil)	502,492	646,465
Total current trade and other receivables	16,854,376	11,989,049

The net impact of costs to fulfil asset on the profit and loss for the current period was an increase in administrative expenses of £143,973

Trade and other receivable approximates fair value.

13 Cash and cash equivalents

	2020 £	2019 £
Cash at bank	26,761,152	22,905,284

Cash at bank includes £26.6m (2019: £22.8m), which constitutes restricted client money and insurer money and £0.1m (2019: £0.1m), in office accounts which are considered restricted and not available to pay the general debts of the Company.

14 Share capital

Allotted, called up and fully paid shares

	2020 No.	2020 £	2019 No.	2019 £
Ordinary Shares of £1 each	6,800,000	6,800,000	6,800,000	6,800,000

6,800,000 (2019: 6,800,000) ordinary shares of £1.00 each.

G1 Shares of 1p each	10,000	100	-	-

10,000 G1 shares of 1p each were issued in 2020.

15 Trade and other payables

	2020 £	2019 £
Current trade and other payables		
Trade payables in relation to insurance transactions	30,688,603	24,004,732
Accrued expenses	1,162,383	1,093,414
Amounts due to other group companies (unsecured, interest free)	9,338,455	8,261,620
Other payables	175,414	118,944
Contract Liabilities	445,274	442,305
	41,810,129	33,921,015

Contract liabilities represent revenue deferred to meet post placements and claims handling performance obligations of the Company.

The carrying value of trade and other payables approximates fair value.

16 Pension and other schemes

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £50,289 (2019: £57,690).

There were no outstanding balances due to the pension providers at the year end.

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 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 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 8.375% and 8.625% 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. See note 31 for further information relating to ETV redress liabilities.

On 1 October 2020, the Group entered into a binding commitment to grant 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. This loan facility was granted subsequently on 23 February 2021.

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

17 Commitments (continued)

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

These guarantees have been treated under IFRS 4 in line with the accounting policy described in note 2.

18 Provisions

	Errors & Omissions £	Total £
At 1 January 2020	-	-
Provisions used	-	-
Unwind of discounted amount	-	-
At 31 December 2020	-	-
Current liabilities	-	-

The Company is subject to claims and litigation in the ordinary course of business resulting principally from alleged errors and omissions. Although all claims are defended vigorously, a charge is made within the accounts, net of any anticipated insurance recoveries, in respect of provisions made for potential liabilities including expenses that are deemed more likely than not to arise in respect of potential claims and litigation notified to the Company at the date of these financial statements. Claims may arise several years after the original events which could be the subject of dispute.

19 Related party transactions

The Company has taken the exemption under FRS 101 not to disclose transactions with entities that are part of The Ardonagh Group Limited and with key management personnel.

20 Prior Year Adjustment

The Company has restated its 2019 comparative numbers for errors in the recording of repayable staff loans as administrative expenses.

	Prior year adjustments £	Restated 2019 £	2019 as previously stated £
Statement of Comprehensive Income			
Administrative expenses	170,487	(12,528,060)	(12,698,547)
Net Profit/(loss) for the year	170,487	159,618	(10,869)

	Prior year adjustments £	Restated 2019 £	2019 as previously stated £
Statement of Financial Position			
Trade and other receivables	326,766	11,989,049	11,662,283
Retained Losses	326,766	(1,210,550)	(1,537,316)

	Prior year adjustments £	Restated 01.01.2019 £	01.01.2019 as previously stated £
Statement of Financial Position			
Trade and other receivables	156,279	11,987,250	11,830,971
Retained Losses	156,279	(1,370,168)	(1,526,447)

21 Parent and ultimate parent undertaking

The Company's majority shareholder and controlling party is HPS Investment Partners LLC. At 31 December 2020, the ultimate parent company was The Ardonagh Group Limited (incorporated in Jersey, registered office address, 47 Esplanade, St Helier, Jersey, JE1 0BD). The Ardonagh Group Limited is the largest group in which the results are consolidated. The parent company of the smallest group, which includes the Company and for which group accounts are prepared, is Ardonagh Midco 2 plc, a company incorporated in United Kingdom. Financial statements for The Ardonagh Group Limited and Ardonagh Midco 2 plc are available on request from:

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