REGISTERED NUMBER: 01393740

MASTERCOVER INSURANCE SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

CONTENTS

Company Information	1
Strategic Report	2
Directors' Report	4
Statement of Directors' Responsibilities	5
Independent Auditor's Report to the members of Mastercover Insurance Services Limited	6
Statement of Comprehensive Income	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12

COMPANY INFORMATION

Directors

D Cougill
D C Ross

Company Secretary

D Clarke

Registered Office

2 Oaks Court
Warwick Road
Borehamwood
Hertfordshire
WD6 1GS
United Kingdom

Registered Number

01393740

Statutory Auditor

Deloitte LLP
1 New Street Square
London
EC4A 3HQ
United Kingdom

STRATEGIC REPORT

The directors present their Strategic Report for the year ended 31 December 2020 for Mastercover Insurance Services 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 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 Activity and Business Review

The Company's business is as an insurance intermediary.

The results of the Company show turnover of £88,192 (2019: £41,703) and profit before tax of £149,396 (2019: £27,529 loss). At 31 December 2020 the Company had net assets of £3,722,048 (2019: £3,603,837). The going concern note (part of accounting policies) on page 12, sets out why the directors believe that the preparation of the financial statements on a basis other than that of a going concern is appropriate.

On 20 December 2017 Mastercover Insurance Services Limited was acquired by Nevada Investment Holdings 7 Limited from GUK Broking Services Limited and became a member of the Group. As part of the wider group reorganisation strategy, on 18 May 2018 the Company disposed of its operations to Towergate Underwriting Group Limited and Four Counties Insurance Brokers Limited, two companies under common control. This transaction resulted in the Company being placed into run-off. It is the directors' intention to liquidate the Company once the run-off process has completed.

The Company has transitioned from UK GAAP to Financial Reporting standard 101 (FRS 101 *Reduced Disclosure Framework*) with a conversion date of 1 January 2019. As required by IFRS 1 *First-time adoption of IFRS*, the Company has applied the relevant accounting policies in place on 31 December 2020 to all periods presented. The Company has taken advantage of the disclosure exemptions allowed under this standard. The Company's parent undertaking was notified of and did not object to the use of FRS 101 disclosure exemptions. A summary of the recognition and remeasurement adjustments arising on adoption of FRS 101 can be found in note 20.

Outlook

The Company is in run-off and it is the directors' intention to liquidate the Company once the run-off process has completed.

The unprecedented 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 Mastercover Insurance Services Limited. Consideration of the financial risk and future impact can be found in the Strategic Report within the 'Principal risks and uncertainties' section but as the Company is in run-off, the impact is not expected to be material.

Key Performance Indicators

The Company has been in run-off since 18 May 2018 and as a result, the directors consider the key performance indicator for the Company to be ensuring its liabilities are settled fairly and expeditiously. Non-financial key performance indicators include staffing levels which have remained at zero throughout the year, attributed to the transfer of trade in May 2018.

Principal risks and uncertainties

The principal risk facing the Company is ensuring timely settlement of its liabilities. The directors believe that the Company has access to financial support to meet projected financial obligations over the coming year. This is based upon specific Group support provided to regulated subsidiaries and cash flow projections over a period of twelve months.

The principal risks and their mitigation are as follows:

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

Liquidity risk
Group Treasury monitors rolling forecasts of the Company's liquidity requirements.

Counterparty risk
Counterparty balances are monitored as part of the credit control process. Significant balances are actively managed through our on-going strategic insurer relationship programme.

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 by a proactive relationship with the Financial Conduct Authority, a dedicated compliance function, and a compliance monitoring programme.

Impact of Covid-19

The Company and Group have 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 £405.1m at 30 June 2021 and closely monitors available liquidity on an ongoing basis.

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

Cyber Security and Data Protection

Our computer systems store information, some of which is sensitive 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 Group continues to have a cyber insurance policy in place to mitigate financial risks associated with data breaches and cyber-attacks.

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.

As noted in the Outlook section above the Company's operations are in run-off and the Company is managed on a basis other than that of a going concern.

Approved by the board on 28 September 2021 and signed on its behalf by:

Diane Cougill
Director

DIRECTORS' REPORT

The directors of Mastercover Insurance Services Limited (registered number 01393740) 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:

D Cougill	Appointed on 1 October 2020
D Ross	Appointed on 1 October 2020
H S Williams	Resigned on 1 October 2020
R L Worrell	Resigned on 1 October 2020

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 on pages 2 and 3.

Political donations

The Company has not made any political donations during the financial year ended 31 December 2020 (2019: £Nil).

Going Concern

The Company is in run-off and it is the directors' intention to liquidate the Company once its liabilities have been settled. Consequently, the financial statements have been prepared on a basis other than that of a going concern.

Directors' Indemnities

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

Subsequent Events

The Company performed a review of events subsequent to the statement of financial position date through to the date the financial statements were issued and determined that there were no such events requiring recognition or disclosure in the financial statements.

Disclosure of Information to the Auditor

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

Reappointment of Auditor

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

This report was approved by the board on 28 September 2021 and signed on its behalf by:

Diane 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 period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 MASTERCOVER INSURANCE SERVICES LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Mastercover Insurance Services 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 profit 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 20.

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 of 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.

Emphasis of Matter- financial statements prepared on a basis other than that of a going concern

We draw attention to note 1 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

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 respect of these matters.

Responsibilities of Directors

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and UK Tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MASTERCOVER INSURANCE SERVICES LIMITED

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.

Claire Clough.

....

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

Date: 28 September 2021

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2020 £	Year ended 31 December 2019 (restated) £
Commission and fees	3	**88,192**	41,703
Administrative expenses		**(98,751)**	(77,782)
Platform licences		**15,999**	-
Audit fees		**11,428**	-
Other write offs (non-IBA)		**75,277**	-
Impairment of financial assets		**(29,239)**	17,183
Operating profit/(loss)	4	**62,906**	(18,896)
Finance costs	5	**(3,334)**	(8,633)
Loss on disposal of PPE		**(9,995)**	-
Gain on disposal of ROU assets		**99,819**	-
Profit/(loss) on ordinary activities before tax		**149,396**	(27,529)
Income tax	8	**(31,185)**	3,853
Profit/(loss) for the financial year		**118,211**	(23,676)

All recognised gains or losses are accounted for in the Statement of Comprehensive Income.

There are no items of other comprehensive income in the current or prior year.

All amounts are derived from discontinued operations.

The notes on pages 12 to 23 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2020 £	As at 31 December 2019 (restated) £
Current assets			
Cash at bank and in hand	9	**59,085**	-
Property, plant and equipment	10	**-**	14,735
Trade and other receivables	11	**3,681,318**	3,862,787
Right-of-use assets	12	**75,970**	-
		3,816,373	3,877,522
Current liabilities			
Loans and borrowings	13	**-**	(19,641)
Trade and other payables	14	**(64,325)**	(155,515)
Lease liabilities	12	**-**	(44,778)
Provisions	15	**(30,000)**	(53,751)
		(94,325)	(273,685)
Net current assets		**3,722,048**	3,603,837
Total assets less current liabilities		**3,722,048**	3,603,837
Net assets		**3,722,048**	3,603,837
Capital and reserves			
Share capital	16	**131,000**	131,000
Retained earnings		**591,048**	472,837
Merger reserve		**3,000,000**	3,000,000
Total equity		**3,722,048**	3,603,837

These financial statements were approved and authorised for issue by the board on 28 September 2021 and were signed on their behalf by:

L D Cougill - Director

The notes on pages 12 to 23 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Share capital £	**Merger reserves £**	**Retained earnings £**	**Total £**
At 1 January 2020	**131,000**	**3,000,000**	**472,837**	**3,603,837**
Net profit for the year	**-**	**-**	**118,211**	**118,211**
At 31 December 2020	**131,000**	**3,000,000**	**591,048**	**3,722,048**

	Share capital £	Merger reserves £	Retained Earnings (restated) £	Total (restated) £
At 1 January 2019	131,000	3,000,000	496,513	3,627,513
Net loss for the year	-	-	(23,676)	(23,676)
At 31 December 2019	131,000	3,000,000	472,837	3,603,837

On 18 May 2018, the Company transferred the future economic rights of the business only, for which £3.0m consideration was paid, leading to the recognition of a £3.0m merger reserve.

The notes on pages 12 to 23 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting Policies

Mastercover Insurance Services Limited (the Company) is a limited company incorporated and registered in England, the United Kingdom (UK). The address of its registered office is stated on page 1. The principal activity of the Company is disclosed in the strategic report on page 2.

These financial statements for the year ended 31 December 2020 were authorised by the Board on 28 September 2021 and the statement of financial position was signed on the Board's behalf by D Cougill.

Basis of Preparation
These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

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.

There are no new standards, amendments or interpretations which are effective in 2020 or not yet effective and that are expected to materially impact the Company's financial statements.

Going Concern
It is the directors' intention to liquidate the Company once its liabilities have been settled. Consequently, the financial statements have been prepared on a basis other than that of a going concern.

The book values of the Company's assets and liabilities are deemed to be a reasonable approximation of fair value due to their short-term nature. As such no adjustments to balances are required with the Company being reported on a basis other than that of a going concern.

Changes in Accounting Policy
The Company has applied the accounting policies effective at the end of the first reporting period for all periods presented, as required by IFRS 1 First time adoption of IFRS. Details on the adjustments resulting from application of these accounting policies compared to previous UK GAAP can be found in note 20.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting Policies *(continued)*

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 the transition to FRS 101, the Company has applied IFRS 1 with assets and liabilities measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial performance and financial position of the Company is provided in note 20.

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

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

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

Revenue Recognition
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 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.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting Policies *(continued)*

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 profit or loss. On derecognition of an investment in an equity instrument which the Company has elected on initial recognition to measure at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss but is transferred to 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 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.

Property, plant and equipment
Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives using the straight line method. The rates applicable are:

- Leasehold improvements 3 years

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 assets 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 tax. Income tax is recognised in the Statement of 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.

Leases
Lease and non-lease components in a contract are accounted for as a single lease component.

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

1 Accounting Policies *(continued)*

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

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

Leases of low value assets
The Group elects on a lease-by-lease basis whether to apply the lease of low-value assets exemption to non-property leases that are considered to be of low value (i.e., below £5,000). Where the exemption is applied, lease payments on leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Subleases
The Group does not undertake arrangements as a lessor other than as a sublessor. When the Group is a sublessor, it classifies the sublease as a finance lease if the sublease transfers substantially all the risks and rewards incidental to ownership of the asset that is the subject of the sublease, namely the right-of-use asset arising from the head lease. The sublease is otherwise classified as an operating lease.

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

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

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

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.

2 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the period.

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

NOTES TO THE FINANCIAL STATEMENTS

3 Commission and fees

The whole of the turnover is attributable to the provision of insurance broking services to driving instructors, small businesses and private individuals. All turnover arose within the United Kingdom.

	2020	2019
	£	£
Commission and fees	**45,612**	61,805
Other trading income/(expense)	**42,360**	(21,422)
Other regulated income	**220**	(1,320)
	88,192	41,703

4 Operating profit/(loss)

The operating profit/(loss) is stated after (charging)/crediting:

	2020	2019
	£	£
Depreciation of property, plant and equipment	**(4,740)**	(7,249)
Other write offs (non-IBA)	**75,277**	-
Loss on sale of leasehold improvements	**(9,995)**	-
Impairment of financial assets	**(29,239)**	17,183

The audit fee of £17,798 (2019: £26,950) for the audit of the Company financial statements was paid by other Group entities for which no recharge was made.

5 Finance costs

	2020	2019 (restated)
	£	£
Effective Interest on lease liabilities	**3,334**	8,633
	3,334	8,633

Effective interest is the finance cost associated with the unwinding of the discount calculated on the lease liabilities (note 12).

6 Staff Costs

The Company had no employees in the current or prior 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 comprehensive income:

	2020 £	2019 (restated) £
Current tax		
UK corporation tax	**31,185**	(3,853)
Adjustments in respect of prior periods	**-**	-
Total current tax	**31,185**	(3,853)
Deferred tax		
Origination and reversal of temporary differences	**1,377**	-
Adjustments in respect of prior periods	**(1,232)**	-
Effect of tax rate change on opening balance	**(145)**	-
Total deferred tax	**-**	-
Income tax in the Statement of Comprehensive Income	**31,185**	(3,853)

The differences are reconciled below:

	2020 £	2019 (restated) £
Profit/(loss) before tax	**149,396**	(27,529)
Corporation tax at standard rate of 19% (2019: 19%)	**28,385**	(5,231)
Adjustments to tax charge in respect of previous periods - deferred tax	**(1,232)**	-
Tax expense relating to changes in tax rates or laws	**(145)**	-
Deferred tax not recognised	**4,177**	-
Fixed asset differences	**-**	1,378
Total tax charge/(credit)	**31,185**	(3,853)

Deferred tax

In the March 2021 Budget, it was announced that the UK Corporation Tax Rate will rise from its current rate of 19% to 25% with effect from April 2023. UK deferred tax balances as at 31 December 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 £
Accelerated tax depreciation	**4,177**	-
Unrecognised deferred tax assets	**4,177**	-

This deferred tax asset has not been recognised in these accounts as it is not expected that the Company's future profitability will be sufficient to utilise it.

9 Cash at Bank and in Hand

	2020 £	2019 £
Non statutory trust cash at bank	21,535	-
Other cash at bank	37,550	-
	59,085	-

The non-statutory trust account contains funds paid by clients due to insurers. This cash is regulated by the FCA and is protected for client benefit only.

10 Property, plant and equipment

	Leasehold improvements £	Total £
Cost		
As at 1 January 2020	21,984	21,984
Disposals	(21,984)	(21,984)
As at 31 December 2020	-	-
Depreciation		
As at 1 January 2020	(7,249)	(7,249)
Charge in the year	(4,740)	(4,740)
Disposals	11,989	11,989
As at 31 December 2020	-	-
Net book value		
As at 31 December 2020	-	-
As at 31 December 2019	14,735	14,735

11 Trade and other receivables

	2020 £	2019 (restated) £
Current assets		
Trade receivables	60,662	60,121
Less expected credit loss allowance	(12,852)	(571)
Net trade receivables	47,810	59,550
Amounts owed by Group undertakings	3,588,849	3,787,426
Other receivables	44,659	-
Prepayments	-	14,951
Corporation tax receivable	-	860
Total current assets	3,681,318	3,862,787

Amounts owed by Group undertakings are unsecured, interest free and are repayable on demand.

12 Leases

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

	Property £	ROU asset total £	Lease liabilities £
As at 1 January 2020 (restated)	-	-	**(44,778)**
Remeasurements/terminations	**75,970**	**75,970**	**23,850**
Interest expense	-	-	**(3,334)**
Payments	-	-	**24,262**
As at 31 December 2020	**75,970**	**75,970**	-

Right-of-use assets
The table below provides a schedule of the movements in the carrying amount of the right-of-use assets and lease liabilities held on the statement of financial position during the year ended 31 December 2019.

	Property £	ROU asset total £	Lease liabilities £
As at 1 January 2019	-	-	(84,381)
Interest expense	-	-	(8,633)
Payments	-	-	48,236
As at 31 December 2019 (restated)	-	-	(44,778)

During the year, the total cash outflows for leases was £24,262 (2019: £48,236).

13 Loans and borrowings

	2020 £	2019 £
Bank overdrafts	-	19,641
	-	19,641

14 Trade and other payables

	2020 £	2019 (restated) £
Current liabilities		
Trade payables in relation to insurance transactions	**34,000**	47,564
Accrued expenses	-	9,067
Amounts owed to Group undertakings	-	12,976
Corporation tax payable	**30,325**	-
Other payables	-	85,908
	64,325	155,515

15 Provisions

	Onerous lease £	Dilapidations £	Total £
At 1 January 2020 (restated)	**31,767**	**21,984**	**53,751**
Additional provisions made during the year	**-**	**8,016**	**8,016**
Utilised during the year	**(31,767)**	**-**	**(31,767)**
At 31 December 2020	**-**	**30,000**	**30,000**

Analysis of total provisions:	**2020 £**	2019 (restated) £
Non-current	**-**	-
Current	**30,000**	53,751
	30,000	53,751

Onerous lease – provides for the cost incurred on vacant properties for the full remaining term of the lease.

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

16 Share Capital

	2020 £	2019 £
131,000 ordinary shares of £1 each	**131,000**	131,000

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

17 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.

18 Subsequent events

The Company performed a review of events subsequent to the statement of financial position date through to the date the financial statements were issued and determined that there were no such events requiring recognition or disclosure in the financial statements.

19 Ultimate parent undertaking and controlling party

The immediate parent company of Mastercover Insurance Services Limited is Ardonagh Services Limited and the ultimate parent company is The Ardonagh Group Limited.

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, Mincing Lane, 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

20 Transition to FRS 101

Statement of comprehensive income for the year ended 31 December 2019

	As originally reported £	Transition to FRS 101 £	As restated £
Commission and fees	41,703	-	41,703
Administrative expenses	(77,782)	-	(77,782)
Impairment of financial assets	17,183	-	17,183
Operating loss	(18,896)	-	(18,896)
Finance costs*	-	(8,633)	(8.633)
Loss on ordinary activities before tax	(18,896)	(8.633)	(27,529)
Tax credit**	2,213	1,640	3,853
Loss for the financial year	(16,683)	(6,993)	(23,676)

* Transition adjustment in relation to interest expense on lease liabilities following adoption of IFRS 16 on 1 January 2019.

** Transition adjustment in relation to UK corporation tax.

20 Transition to FRS 101 *(continued)*

Statement of financial position as at 1 January 2019

	As originally reported £	Transition to FRS 101 £	As restated £
Current assets			
Cash and cash equivalents	406,860	-	406,860
Trade and other receivables	3,518,509	-	3,518,509
	3,925,369	-	3,925,369
Current liabilities			
Trade and other payables*	(107,256)	(18,296)	(125,552)
Lease liabilities**	-	(84,381)	(84,381)
Provisions***	(104,864)	63,186	(41,678)
	(212,120)	(39,491)	(251,611)
Net current assets	3,713,429	(39,491)	3,673,758
Total assets less current liabilities	3,713,429	(39,491)	3,673,758
Non-current liabilities			
Provisions***	(116,356)	70,111	(46,245)
	(116,356)	70,111	(46,245)
Net assets	3,596,893	30,620	3,627,513
Capital and reserves			
Share capital	131,000	-	131,000
Retained earnings	465,893	30,620	496,513
Merger reserve	3,000,000	-	3,000,000
	3,596,893	30,620	3,627,513

* Transition adjustments in relation to right-of-use lease liability payments control and prior year UK corporation tax.

** Transition adjustment in relation to the unwinding of discount calculated on right-of-use lease liabilities.

*** Transition adjustment in relation to a reduction in the onerous lease provision.

20 Transition to FRS 101 *(continued)*

Statement of financial position as at 31 December 2019

	As originally reported £	Transition to FRS 101 £	As restated £
Current assets			
Property, plant and equipment	14,735	-	14,735
Trade and other receivables	3,868,329	-	3,868,329
	3,883,064	-	3,883,064
Current liabilities			
Loans and borrowings	(19,641)	-	(19,641)
Trade and other payables*	(96,166)	(64,891)	(161,057)
Lease liabilities**	-	(44,778)	(44,778)
Provisions***	(187,047)	133,296	(53,751)
	(302,854)	23,627	(279,227)
Net current assets	3,580,210	23,627	3,603,837
Total assets less current liabilities	3,580,210	23,627	3,603,837
Net assets	3,580,210	23,627	3,603,837
Capital and reserves			
Share capital	131,000	-	131,000
Retained earnings	449,210	23,627	472,837
Merger reserve	3,000,000	-	3,000,000
	3,580,210	23,627	3,603,837

* Transition adjustments in relation to right-of-use lease liability payments control and UK corporation tax.

** Transition adjustment in relation to the unwinding of discount calculated on right-of-use lease liabilities.

*** Transition adjustment in relation to a reduction in the onerous lease provision.