Registration number: 04907859

Health and Protection Solutions Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021

Health and Protection Solutions Limited

Contents

Health and Protection Solutions Limited

Company Information

Directors	I R P Laws H S Williams R L Worrell
Company secretary	Ardonagh Corporate Secretary Limited
Registered office	West Park House 23 Cumberland Place Southampton SO15 2BB United Kingdom
Auditor	Deloitte LLP 1 New Street Square London EC4A 3HQ United Kingdom

Health and Protection Solutions Limited

Strategic Report for the Year Ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021 for Health and Protection Solutions 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. Following significant new equity investment as disclosed in note 21, the Company is now part of a new holding company structure. Prior to this and as at 31 December 2021, the Company was part of The Ardonagh Group Limited ("the Group").

Principal activities and business review

The principal activity of the Company is that of the provision of protection insurance and specialist private medical insurance intermediary services.

The results for the Company show turnover of £33.2m (2020: £33.0m) and profit before tax of £8.0m (2020: £8.2m) for the year. At 31 December 2021 the Company had net assets of £35.9m (2020: £27.7m). The going concern note (part of accounting policies) on page 20 sets out the reasons why the directors continue to believe that the preparation of the financial statements on a going concern basis is appropriate.

As part of the Group's strategy to align the legal entity structure with its operating segments, on 1 December 2021 the Company acquired a book of business via a business transfer transaction from Usay Group Limited, a company under common control.

Business strategy and objectives

The business strategy of the Company is to achieve profitable growth in the United Kingdom, by maximising volumes and the Company's ability to generate sales and satisfy customer demand in the private medical market.

Companies Act s.172 Duty

The Directors take seriously their obligations under s.172 (1) (a)-(f) of the Companies Act 2006 ("S.172 Duties") to act in a way they consider, in good faith, would be the most likely to promote the success of the Company for the benefit of its members as a whole and in doing so, have regard to; the likely consequences of any decision in the long-term, the interests of the Company's employees, the need to foster the Company's business relationships with suppliers, customers and others, the impact of the Company's operations on the community and the environment, the desirability of the Company maintaining a reputation for high standards of business conduct and the need to act fairly as between members of the Company. The day to day Board level governance over the business of Health and Protection Solutions Limited ("HAPS") is undertaken by the Board of Ardonagh Advisory Holdings Limited ("Segment Board"), of which 2 HAPS directors are members.

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

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

Our Board believes in the importance of communication and engagement with all employees and this has become increasingly important since many of our staff moved to homeworking or hybrid office and home working in 2020 and 2021. Good communication and engagement is also linked to and supports our actions taken to enhance staff well-being. The Business has undertaken regular communication and other engagement activities, including Group initiatives, such as the award winning Radio Ardonagh. Other Group initiatives include 'applause' where employees can give a 'shout out' to their colleagues who have gone above and beyond. There are also weekly all-staff communications, messages from the CEO and our annual Spotlight Awards.

The third Group-wide employee pulse survey was undertaken in Q4 2021. The Advisory Platform achieved an excellent 81% response rate and an overall positivity score of 73.3% compared with 75.4% in 2020, which management consider to be a good result given the impact and challenges of Covid 19. Whilst the Advisory overall positivity score was 73.3%, the Health and Protection Solutions business achieved a positivity score of 76.8%. Our Segment Board have considered the pulse survey scores and the actions to be taken as a result of the survey, which include a refresh of actions to be taken across each of our 5 people commitments; Attract and Retain, Onboard and Develop, Recognise and Reward, Empower and Enable, and Respect and Support. Each of these 5 people commitments outline our ambition for a diverse and fair workforce and an inclusive culture. As a business, we believe that diversity strengthens us and in 2021 we launched a number of employee forums in which to hold frank, straightforward conversations on topics such as well-being, diversity and inclusion and this two-way dialogue with our people has been warmly received and is leading to tangible actions and progress. Our Women in Leadership programme won a Princess Royal training award and nominated for a National Insurance Award. We also launched an Apprenticeship Programme to grow our own pool of account handlers and executives.

Customers
Seeking good customer outcomes is central to the success of the business. Management continues to improve how we track how our customers perceive our businesses . In addition, our products and services are periodically reviewed to ensure they continue to meet the needs of our customers. The Segment Board discharges oversight over performance against conduct risk frameworks and key customer related metrics to ensure we can evidence that the customer remains at the heart of our decision making. Our businesses have fully embraced the FCA requirements on general insurance pricing & value that came into force at the end of 2021.

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

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

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

Community
Since The Ardonagh Community Trust ("ACT") was formed, we have donated circa. £1M to over 400 charities as chosen by our Ardonagh colleagues, including Advisory

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

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

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

Outlook
The Company will continue to generate sales and satisfy customer demand in the private medical market.

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

	Unit	**2021**	**2020**
Total income	£m	33.2	33.0
Operating expenses (salaries and associated costs, and administrative expenses)	£m	18.9	19.2
Operating expenses/Total income ratio	%	56.9	58.1

Total income has remained consistent from 2020 to 2021 with a £0.2m increase. Operating expenses have also remained consistent with just a £0.3m decrease. These movements have resulted in the operating expense ratio decreasing by 1.2% in 2021 as a result of continued synergies arising from business and AR acquisitions in the prior year.

The Company's key non-financial performance indicator is staffing levels, which have increased by 0.7% in the year from 275 in 2020 to 277 in 2021.

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 by presentations by senior management, supported by a Group-wide communication plan. As a Board we believe in the importance of communication and engagement with all employees and this has become increasingly important as the majority of our staff having moved to homeworking. Our Businesses all undertake regular communication and other engagement activities, including Group initiatives, such as Radio Ardonagh. Other Group initiatives include 'applause' where employees can give a 'shout out' to their colleagues who have gone above and beyond. There are also weekly all-staff communications, messages from the CEO and our annual Spotlight Awards. In addition to Group initiatives, each Segment undertakes their own internal communications and pulse surveys. Further discussion of employee matters can be found in the directors' report.

Principal risks and uncertainties

Risk management

The Company has a comprehensive strategy for the identification, mitigation and management of risk. A wide-ranging assessment of business risks has been undertaken resulting in the compilation of a risk register. The risk register is subject to discussion at regular Group Risk Management Committee meetings and the Company's ongoing risk management ensures there is appropriate reporting from the business which will highlight changes in risk profile to the Group Risk Management Committee. The risks are managed and monitored to be within the agreed risk appetite. If a risk exceeds appetite, management actions will be put in place to bring it within appetite.

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 the economic and competitive environment and by diversification of product lines and channels.

Financial risk

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

The Group has demonstrated its resilience from an economic shock and demonstrated operational and financial resilience in response to the Covid-19 pandemic.

The Group has sufficient liquidity to withstand a period of potential poor trading resulting from a sustained economic decline, although this has not materialised to date and the Group would respond to income declines by seeking cost savings. The Group had available liquidity of £683.3m at 30 June 2022 and closely monitors available liquidity on an ongoing basis.

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

Operational risk
There is the risk of losses arising from inadequate or failed internal processes or systems, from personnel and/or from external events. These risks are mitigated by having an Enterprise Risk Management Framework in place, which is owned by the Group Risk Officer. The framework requires all risks to have owners, and these owners have appropriate controls in place which are regularly monitored, and significant changes to a risk are escalated as required.

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

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. Furthermore, there is a control framework that has been rolled out throughout the Group and embedded within its culture to reduce the risk of errors and non-compliance.

Retention and wellbeing of staff
The loss of several senior management or a significant number of our client-facing employees could have a material adverse effect on our business. The inability to attract and retain qualified personnel could also have a material adverse effect on our business. Each part of the Group maintains appropriate performance management, remuneration, succession planning and other HR policies that are proportionate for their respective businesses.

Our businesses have also had to respond to the changing nature of ways of working with the emergence of hybrid or remote working becoming more mainstream which has required us to focus on risk management around data, cyber, capability and wellbeing of employees.

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

Global political tensions

As a result of Russia invading Ukraine, we have seen significant new sanctions legislation from a range of legislators (including the US, EU and UK), with newly sanctioned entities and individuals, and new (or wider in scope) sectoral sanctions targeting Russia (and Belarus). The Group has no appetite for potential breaches of applicable sanctions regimes. Most of the Group's inherent risk exposure relates to international 'London Market' insurance business within Ardonagh Specialty. Our robust framework and sophisticated control environment, which includes enhanced due diligence on Russian-linked business (prior to accepting the client relationships) and automated daily screening of all existing clients against relevant sanctions lists are dynamically updated as they change. The Group has also reviewed its defences against cyber risks in the context of anticipated increases in such threats to Western companies from Russia and has reviewed its procurement processes and supplier relationships for Russian links. Our mandatory due diligence on potential acquisitions also includes pre-completion screening of full client and supplier lists. We continue to actively monitor the situation as it develops and will respond accordingly as new sanctions are enacted.

Approved by the Board on 14/09/2022 and signed on its behalf by:

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R L Worrell
Director

Health and Protection Solutions Limited

Directors' Report for the Year Ended 31 December 2021

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

Directors of the Company

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

I R P Laws

H S Williams

R L Worrell

Dividends

The directors do not recommend a final dividend payment to be made in respect of the financial year ended 31 December 2021 (2020: £Nil).

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 5.

Future developments

Details of future developments can be found in the Strategic Report within the 'Outlook' section on page 4.

Political donations

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

Subsequent events

Details of subsequent events can be found in the Notes to the financial statements within the 'Subsequent events' section on page 43.

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 an 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, by circulation of the Group weekly communications email, and by Group news posted on the internal website.

Health and Protection Solutions Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

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. As at 31 December 2021, the Company had net assets of £35.9m (2020: £27.7m). The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements.

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, which were in place during the financial year and at the date of this report.

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

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

Approved by the Board on 14/09/2022 and signed on its behalf by:

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R L Worrell
Director

Health and Protection Solutions Limited

Statement of Directors' Responsibilities

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

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

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

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

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

Independent Auditor's Report to the members of Health and Protection Solutions Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Health and Protection Solutions Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its 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 of Health and Protection Solutions Limited (the 'company') 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.

Independent Auditor's Report to the members of Health and Protection Solutions Limited (continued)

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

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

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, 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, internal audit and the audit committee about their own identification and assessment of the risks of irregularities.

Independent Auditor's Report to the members of Health and Protection Solutions Limited (continued)

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, pension legislation and tax legislation; and
• do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's regulatory permissions.

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

The Company earns fees and commissions from its insurance broking activities and there is a fraud risk that brokerage is inappropriately accelerated or deferred between accounting periods.
We have assessed that there is a significant risk of material misstatement relating to revenue recognition which is pinpointed to the cut-off assertion specifically around the year end.
• We have obtained an understanding of the revenue process and the flow of financial information into the general ledger; and
• Assessed the design and implementation of key controls; and
• Performed additional cut-off testing around the year-end date by selecting additional samples for revenue recognised in December 2021 and January 2022 to identify any transactions which may have been erroneously recognised as revenue in the incorrect period.

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

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

Independent Auditor's Report to the members of Health and Protection Solutions Limited (continued)

Report on other legal and regulatory requirements

Opinion on other matter prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

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

Date: 14 September 2022

Health and Protection Solutions Limited

Statement of Comprehensive Income for the Year Ended 31 December 2021

	Note	2021 £ 000	2020 £ 000
Commission and fees	4	33,239	33,000
Cost of sales		(3,131)	(2,533)
Gross profit		30,108	30,467
Salaries and associated costs	7	(12,998)	(13,400)
Other operating costs		(5,857)	(5,845)
Depreciation, amortisation and impairment of non-financial assets		(3,091)	(2,958)
Operating profit	5	8,162	8,264
Loss on disposal of property, plant and equipment		(140)	-
Finance costs	6	(62)	(93)
Profit before tax		7,960	8,171
Tax credit/(expense)	10	1,581	(1,478)
Profit for the year		9,541	6,693

The results for the current and prior year arise from continuing operations. There are no items of other comprehensive income in the current or prior year.

The notes on pages 19 to 43 form an integral part of these financial statements.

Health and Protection Solutions Limited

(Registration number: 04907859)
Statement of Financial Position as at 31 December 2021

	Note	2021 £ 000	2020 £ 000
Non-current assets			
Intangible assets	11	10,080	12,642
Property, plant and equipment	12	459	517
Right-of-use assets	13	475	533
Deferred tax assets	10	3,652	-
		14,666	13,692
Current assets			
Cash and cash equivalents		1,276	3,185
Trade and other receivables	14	90,079	78,110
		91,355	81,295
Current liabilities			
Trade and other payables	15	(58,084)	(56,784)
Lease liabilities	13	(223)	(291)
Tax liabilities	10	(3,372)	(1,316)
Provisions	17	(344)	(80)
		(62,023)	(58,471)
Net current assets		29,332	22,824
Total assets less current liabilities		43,998	36,516
Non-current liabilities			
Trade and other payables	15	(1,177)	(1,756)
Lease liabilities	13	(340)	(302)
Provisions	17	(6,549)	(6,720)
		(8,066)	(8,778)
Net assets		35,932	27,738
Capital and reserves			
Share capital	18	49,500	49,500
Share premium		1,000	1,000
Merger reserves		(23,102)	(21,755)
Retained earnings/(losses)		8,534	(1,007)
Total equity		35,932	27,738

The notes on pages 19 to 43 form an integral part of these financial statements.

Health and Protection Solutions Limited

(Registration number: 04907859)
Statement of Financial Position as at 31 December 2021 (continued)

Approved by the Board on 14/09/2022 and signed on its behalf by:

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R L Worrell
Director

The notes on pages 19 to 43 form an integral part of these financial statements.

Health and Protection Solutions Limited

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

	Note	Share capital £ 000	Share premium £ 000	Merger reserves £ 000	Retained (losses)/ earnings £ 000	Total £ 000
At 1 January 2021		49,500	1,000	(21,755)	(1,007)	27,738
Profit for the year		-	-	-	9,541	9,541
On business combinations	9	-	-	(1,347)	-	(1,347)
At 31 December 2021		49,500	1,000	(23,102)	8,534	35,932

On 1 December 2021 the Company acquired a book of business via a business transfer transaction from Usay Group Limited, a company under common control. This resulted in a £1.3m movement to Merger reserves. For further details please refer to note 9 Business combinations.

	Share capital £ 000	Share premium £ 000	Merger reserves £ 000	Retained losses £ 000	Total £ 000
At 1 January 2020	26,500	1,000	(21,797)	(7,700)	(1,997)
Profit for the year	-	-	-	6,693	6,693
New share capital subscribed	23,000	-	-	-	23,000
On business combinations	-	-	42	-	42
At 31 December 2020	49,500	1,000	(21,755)	(1,007)	27,738

1 General information

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

The financial statements for the year ended 31 December 2021 were authorised for issue by the Board on 14 September 2022 and the Statement of Financial Position was signed on the board's behalf by R L Worrell.

2 Accounting policies

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

Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

The financial statements are presented in GBP sterling (£), which is also the Company's functional currency. The financial statements have been prepared on a historical cost basis, as modified to use a different measurement basis where necessary to comply with FRS 101. There are no new standards, amendments to standards or interpretations which are effective in 2021 or not yet effective and that are expected to materially impact the Company's financial statements.

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

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

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment concerning details of the number and weighted average exercise price of share options and how the fair value of goods or services received was determined;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64 (q)(ii), B66 and B67 of IFRS 3 Business Combinations, which includes among other exemptions the requirement to include a comparative period reconciliation for goodwill;
- the requirements of IFRS 7 Financial Instruments: Disclosures and of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;

2 Accounting policies (continued)

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

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

Judgements made by the directors in the application of these accounting policies that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are discussed in the Critical accounting judgements and key sources of estimation uncertainty disclosure on page 30.

Going concern

As shown in account note 20, the Company was a member of a group ("the Group") of which The Ardonagh Group Limited ("TAGL") was the ultimate parent company and the highest level at which results were consolidated for the year ended 31 December 2021.

The financial statements of the Company have been prepared on a going concern basis. At 31 December 2021 the Company had net assets of £35.9m (2020: £27.7m) and net current assets of £29.3m (2020: £22.8m). The net current assets include amounts receivable from related parties of £86.0m (2020: £74.1m), and amounts due to related parties of £55.1m (2020: £51.4m). The Company reported a profit before tax of £8.0m for the year ended 31 December 2021 (2020: £8.2m).

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

- The Group's capital structure, operations and liquidity.
- Base case and stressed cash flow forecasts over the calendar years 2022 and 2023.

2 Accounting policies (continued)

- The impact on the base case and stressed cashflow forecasts arising from subsequent material acquisitions.
- The principal risks facing the Group. and its systems of risk management and internal control.
- Actual trading and cashflows of the Company and Group, including those of the group of companies previously owned by TAGL.

Key assumptions that the directors have made in preparing the base case cash flow forecasts are that:

- The Group will continue to benefit from a £191.5m Revolving Credit Facility that is not drawn at the date of this report.
- Client retention and renewal rates remain robust, despite the current economic uncertainty, as the 2022 trading performance continues to demonstrate resilience across the Group, including that of the group of companies previously owned by TAGL.

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

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

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

The directors continue to consider the wider operational and financial consequences and ramifications of global political and economic tensions (including related to the Ukrainian conflict, inflation and increasing interest rates). In particular:

- Insurance broking is a resilient and defensive market, which has historically had limited impact from past economic or capital market downturns. The Group is highly diversified and not unduly exposed to a single carrier, customer or market sector.
- Although economic developments remain fluid, the stress testing demonstrates the Group's financial resilience and operating flexibility.
- As a result of Russia invading Ukraine, we have seen significant new sanctions legislation from a range of legislators (including the US, EU and UK), with newly sanctioned entities and individuals, and new (or wider in scope) sectoral sanctions targeting Russia (and Belarus). The Ardonagh Group has no appetite for potential breaches of applicable sanctions regimes and applies appropriate controls including automated screening of clients against relevant sanctions lists. We continue to actively monitor the situation as it develops and will respond accordingly as new sanctions are enacted.

2 Accounting policies (continued)

Following the assessment of the Group and Company's financial position and its ability to meet its obligations as and when they fall due, including the further potential financial implications of economic uncertainty included in stress tests, the directors are not aware of any material uncertainties that cast significant doubt on the Company's ability to continue as a going concern.

Intangible assets

Customer relationships

Customer relationship intangible assets are recognised on a business combination because the acquirer is able to benefit from selling future new business through existing relationships. Their fair value is calculated as the sum of the present value of projected cash flows in excess of returns on contributory assets over the life of the relationship with the customers. These assets are amortised on a straight-line basis over 120 months.

Brands

Brand intangible assets are recognised on a business combination because they are separable or arise from contractual or other legal rights. Their fair value has been calculated as the sum of the present value of projected royalty payments that would be paid to licence the right to use the brand. These assets are amortised on a straight-line basis over their estimated useful lives of 5 years, which considers the Company's track record of retaining brands for a period and experience of the insurance broking market.

Computer software

Acquired computer software licences are recognised when they are purchased separately or are recognised on a business combination. Their fair value is calculated by reference to the net book value acquired. These costs are amortised on a straight-line basis over their estimated useful life of 4 years.

Derecognition of intangible assets

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

Impairment of assets

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

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

2 Accounting policies (continued)

Property, plant and equipment
Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

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:

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

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

Business combinations
Business combinations under common control are outside the scope of IFRS 3. The consideration for a transfer of business and net assets is determined by calculating the fair market value of the business and net assets, so as to ensure that the transfer does not constitute a distribution. The transferee derecognises the existing assets and liabilities. The transferor recognises the existing assets and liabilities at the 'predecessor' carrying amounts at which they were recognised by the transferor immediately prior to the transfer. The transferee and the transferor recognise the difference between the consideration paid and sum of the carrying amounts of the assets and liabilities in a merger reserve (no goodwill is recognised).

Financial instruments

Recognition and initial measurement
Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument, and they are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs not directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2 Accounting policies (continued)

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

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

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

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

Classification and subsequent measurement of financial assets
Financial instruments are classified at inception into one of the following three categories, which then determine the subsequent measurement methodology:-

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

Financial liabilities are classified into one of the following two categories:-
- financial liabilities at amortised cost; or
- financial liabilities at fair value through the profit or loss (FVTPL).

The classification and the basis for measurement are subject to the company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

2 Accounting policies (continued)

Financial assets classified as amortised cost
Financial assets that meet the following conditions are classified and subsequently measured at amortised cost:
• the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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

2 Accounting policies (continued)

Impairment of financial assets

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

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

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

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

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

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

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

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

2 Accounting policies (continued)

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

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

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

Credit-impaired financial assets

Evidence that the financial asset is credit-impaired include the following;

• Significant financial difficulties of the borrower or issuer;
• A breach of contract such as default or past due event;
• The restructuring of the loan or advance by the company on terms that the company would not consider otherwise;
• It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
• The disappearance of an active market for the security because of financial difficulties; or
• There is other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the company, or economic conditions that correlate with defaults in the company.

Write-off policy

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

Classification and subsequent measurement of financial liabilities
All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

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

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

2 Accounting policies (continued)

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. 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.

Revenue

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. This revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

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

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

- Costs to fulfil - salary and other costs of customer-facing employees who undertake activities necessary to satisfy anticipated contracts with the customer. The 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 year.

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

Contract costs are presented within 'other assets' when recognised in the Statement of Financial Position.

2 Accounting policies (continued)

Employee benefits

Pension costs

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

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

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Current tax

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Finance costs policy

The Company's finance costs include the unwinding of discount on financial assets or liabilities, including on lease liabilities and lease receivables.

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

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

Provisions for liabilities (Future Renewal Scheme)
The carrying amount at the reporting date of provision associated with the Company's Future Renewal scheme is £6.7m (2020: £6.6m), (note 17). The provision has arisen due to expense obligations associated with the future renewal rights of insurance brokerage portfolios. The provision requires management's best estimate of the costs that may be incurred.

4 Turnover

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

	2021 £ 000	2020 £ 000
Commission and fees	33,160	33,000
Other revenue	79	-
	33,239	33,000

The total turnover of the Company for the current and prior year has been derived from its principal activity wholly undertaken in the UK.

5 Operating profit

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

	2021 £ 000	2020 £ 000
Amortisation of software	233	52
Amortisation of other intangible assets	2,402	2,403
Depreciation of property, plant and equipment	129	153
Loss on disposal of property, plant and equipment and right-of-use assets	140	-
Depreciation on right-of-use assets	327	350
Reversal of impairment of financial assets	(113)	193
Auditor's remuneration: audit of these financial statements	95	47

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.

6 Finance costs

	2021 £ 000	2020 £ 000
Finance costs		
Effective interest on lease liabilities	62	93

Finance costs represent the unwinding of discount calculated on the lease liabilities (note 13).

7 Salaries and associated costs

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

	2021 £ 000	2020 £ 000
Wages and salaries	11,287	11,795
Social security costs	1,279	1,154
Other pension costs	432	410
Redundancy costs	-	41
	12,998	13,400

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

	2021 No.	2020 No.
Administration	114	110
Sales	121	135
Management	42	30
	277	275

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021 £ 000	2020 £ 000
Aggregate emoluments	251	227
Company contributions to money purchase pension scheme	-	-
	251	227

In respect of the highest paid director:

	2021 £ 000	2020 £ 000
Remuneration	251	227

The emoluments of the remaining 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.

9 Business combinations

As part of the Group's strategy to align the legal entity structure with its operating segments, on 1 December 2021 the Company acquired a book of business via a business transfer transaction from Usay Group Limited, a company under common control. Being a common control transaction, it is outside the scope of IFRS 3. No goodwill is recognised on such transfers and instead, any consideration in excess of the carrying value of transferring assets and liabilities is taken to merger reserves. The transaction was on a renewal rights basis and consideration paid was £1.3m and no assets or liabilities were transferred to the Company under the terms of the deal.

	Usay Group Limited £000	Total £000
Net assets/(liabilities)	-	-
Consideration payable	(1,347)	(1,347)
Merger Reserves	(1,347)	(1,347)

10 Income tax

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

	2021 £ 000	2020 £ 000
Current taxation		
UK corporation tax	2,063	2,065
UK corporation tax adjustment to prior periods	8	(628)
Total current income tax	2,071	1,437
Deferred taxation		
Origination and reversal of temporary differences	(3,735)	(482)
Adjustments in respect of prior periods	-	523
Arising from changes in tax rates and laws	83	-
Total deferred taxation	(3,652)	41
Tax (credit)/charge in the Statement of Comprehensive Income	(1,581)	1,478

10 Income tax (continued)

The following table reconciles the tax charge calculated at the UK statutory rate on the Company's profit before tax with the actual tax charge for the year.

	2021 £ 000	2020 £ 000
Profit before tax	7,960	8,171
Corporation tax at standard rate of 19% (2020: 19%)	1,512	1,553
Adjustments to tax charge in respect of previous periods - current tax	8	(628)
Adjustments to tax charge in respect of previous periods - deferred tax	-	523
Expenses not deductible for tax purposes	6	10
Remeasurement of deferred tax for changes in tax rates	(835)	(289)
Fixed asset differences	457	428
Income not taxable for tax purposes	(15)	-
Deferred tax credit from unrecognised tax loss or credit	(2,714)	(119)
Total tax (credit)/charge	(1,581)	1,478

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

Deferred tax

2021	Asset £ 000
Accelerated tax depreciation	342
Provisions	-
Tax losses carry-forwards	3,310
	3,652

2020	Asset £ 000
Accelerated tax depreciation	
Provisions	
Tax losses carry-forwards	

10 Income tax (continued)

Deferred tax movement during the year:

	At 1 January 2021 £ 000	Recognised in income £ 000	At 31 December 2021 £ 000
Accelerated tax depreciation	-	342	342
Provisions	-	-	-
Tax losses carry-forwards	-	3,310	3,310
Net tax assets	-	3,652	3,652

Deferred tax movement during the prior year:

	At 1 January 2020 £ 000	Recognised in income £ 000	At 31 December 2020 £ 000
Accelerated tax depreciation	37	(37)	-
Provisions	4	(4)	-
Tax losses carry-forwards	-	-	-
Net tax assets	41	(41)	-

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

	2021 £ 000	2020 £ 000
Accelerated tax depreciation	36	199
Provisions	65	43
Losses	-	2,580
Unrecognised deferred tax assets	101	2,822

Health and Protection Solutions Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

11 Intangible assets

	Trademarks, patents and licenses £ 000	Contractual customer relationships £ 000	Computer software £ 000	Software under construction £ 000	Total £ 000
Cost or valuation					
At 1 January 2021	104	24,090	841	70	25,105
Additions	-	-	164	-	164
Disposals	-	(64)	-	-	(64)
Reversals	-	-	(19)	-	(19)
Release to profit and loss	-	-	(4)	-	(4)
Transfer to tangible fixed assets	-	-	-	(70)	(70)
At 31 December 2021	104	24,026	982	-	25,112
Amortisation					
At 1 January 2021	104	11,957	402	-	12,463
Charge for the year	-	2,402	233	-	2,635
Eliminated on disposals	-	(64)	-	-	(64)
Release to profit and loss	-	-	(2)	-	(2)
At 31 December 2021	104	14,295	633	-	15,032
Carrying amount					
At 31 December 2021	-	9,731	349	-	10,080
At 31 December 2020	-	12,133	439	70	12,642

Amortisation charged in the year has been included in the statement of comprehensive income in the Depreciation, amortisation and impairment of non-financial assets line item.

12 Property, plant and equipment

	Leasehold improvements £ 000	Fixtures and fittings £ 000	Computer equipment £ 000	Furniture and office equipment £ 000	Total £ 000
Cost or valuation					
At 1 January 2021	286	-	561	629	1,476
Additions	3	10	6	165	184
Transfer between PPE classes	-	-	10	(10)	-
Disposals	-	-	(10)	(547)	(557)
Transfer from intangible assets	-	70	-	-	70
Released to profit and loss	-	-	-	(29)	(29)
At 31 December 2021	289	80	567	208	1,144
Depreciation					
At 1 January 2021	164	-	380	415	959
Charge for the year	-	15	101	13	129
Transfer between PPE classes	-	-	6	(6)	-
Disposals	-	-	(6)	(383)	(389)
Released to profit and loss	-	-	-	(14)	(14)
At 31 December 2021	164	15	481	25	685
Carrying amount					
At 31 December 2021	125	65	86	183	459
At 31 December 2020	122	-	181	214	517

13 Right-of-use assets and lease liabilities

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 2021.

	Property £ 000	Non-property £ 000	Total £ 000	Lease liabilities £ 000
At 1 January 2021	528	5	533	(593)
Additions	193	28	221	(188)
Terminations/modifications	31	17	48	(22)
Depreciation	(287)	(40)	(327)	-
Interest expense	-	-	-	(62)
Lease payments	-	-	-	302
At 31 December 2021	465	10	475	(563)
Current lease liabilities	-	-	-	(223)
Non-current lease liabilities	-	-	-	(340)
Total lease liabilities	-	-	-	(563)

As at 31 December 2021, £0.2m (2020: £0.3m) lease liabilities are considered current and £0.3m (2020: £0.3m) are non-current.

	Property £ 000	Non-property £ 000	Total £ 000	Lease liabilities £ 000
At 1 January 2020	771	85	856	(890)
Additions	57	-	57	(57)
Terminations/modifications	(12)	(18)	(30)	-
Depreciation	(288)	(62)	(350)	-
Interest expense	-	-	-	(93)
Lease payments	-	-	-	447
At 31 December 2020	528	5	533	(593)
Current lease liabilities	-	-	-	(291)
Non-current lease liabilities	-	-	-	(302)
Total lease liabilities	-	-	-	(593)

13 Right-of-use assets and lease liabilities (continued)

In addition to the above, the Company recognised the following in the Statement of Comprehensive Income for the year:

	2021 £ 000	2020 £ 000
Expense relating to variable lease payments not included in the measurement of the lease liability (recognised within other operating expenses)		
Service charges	125	35
Insurance rent	3	2
Other	195	226
	323	263

During the year ended 31 December 2021, the total cash outflow for leases was £0.4m (2020: £0.7m).

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

	2021 £ 000	2020 £ 000
Within one year	233	212
In one to five years	376	239
In over five years	-	-
Total undiscounted value	609	451

14 Trade and other receivables

	2021 £ 000	2020 £ 000
Current trade and other receivables		
Trade receivables	4,300	3,935
Less: expected credit loss allowance	(505)	(847)
Net trade receivables	3,795	3,088
Receivables from other Group companies	85,120	74,127
Accrued income	296	-
Other prepayments	315	411
Other receivables	176	43
Cost to fulfil*	377	441
	90,079	78,110

14 Trade and other receivables (continued)

*Cost to fulfil contracts with customers of £0.4m (2020: £0.4m) is included in other assets, which is presented within and included in trade and other receivables in the Statement of Financial Position. Costs to fulfil include salary and other costs of customer-facing employees who undertake activities necessary to satisfy anticipated contracts with the customer.

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

15 Trade and other payables

	2021 £ 000	2020 £ 000
Non-current trade and other payables		
Deferred consideration	1,177	1,756
	1,177	1,756
Current trade and other payables		
Trade payables in relation to insurance transactions	387	381
Accrued expenses	1,771	2,078
Amounts due to other Group companies	54,300	51,387
Social security and other taxes	7	-
Other payables	2	552
Contract liabilities	291	206
Deferred consideration	1,326	2,180
	58,084	56,784

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

Contract liabilities represent the Company's obligation to transfer services to customers for which the Company has received the consideration from the customer. There was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year.

During the year £0.9m (2020: £1.0m) deferred consideration payable in respect of exercised future renewal scheme liabilities were reclassified as non-current trade and other payables.

There are no amounts falling due after more than five years.

16 Defined contribution pension scheme

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

17 Provisions

	Dilapidations £ 000	Other provisions £ 000	Total £ 000
At 1 January 2021	224	6,576	6,800
Additional provisions made during the year	3	969	972
Reclassified as trade payables (note 15)	-	(879)	(879)
At 31 December 2021	227	6,666	6,893
Current liabilities	83	261	344
Non-current liabilities	144	6,405	6,549

Dilapidations provision
The Company provides for the estimated amounts payable for dilapidation on each property at the end of the lease term.

Other provisions
Other provisions relate to a potential liability of the Company in relation to the expected future payments to unretired Appointed Representatives who are party to the Company's Future Renewal Scheme. During the year ended 31 December 2021, £0.9m (2020: £1.0m) of the provision was reclassified as deferred consideration representing amounts payable to appointed representatives who had given notice of their intention to retire from the business, (note 15).

18 Share capital

Allotted, called up and fully paid shares

	2021		2020	
	No.	£	No.	£
Ordinary shares of £1 each	49,500,110	49,500,110	49,500,110	49,500,110

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

19 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.

20 Parent and ultimate parent undertaking

The Company's immediate parent company is Ardonagh Advisory Holdings Limited and the ultimate parent company is Tara Topco Limited, (see note 21).

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

2 Minster Court
Mincing Lane
London
EC3R 7PD

21 Subsequent events

Following the satisfaction of closing conditions on 31 May 2022, Ardonagh has obtained a significant new equity investment into the Group led by existing long-term shareholders MDP and HPS, alongside new co-investors through accounts managed by MDP and HPS. Under the terms of the transaction, funds affiliated with MDP have increased their shareholding in the Group, and HPS has reinvested in the Group. Co-investors, including a wholly owned subsidiary of Abu Dhabi Investment Authority and several other large global institutions, have also acquired more than USD1 billion equity through accounts managed by MDP and HPS as part of the transaction, which gives an enterprise valuation for Ardonagh of USD7.5 billion. The new equity investment has resulted in The Ardonagh Group Limited merging into a newly created company Tara Topco Limited ('Tara') on 31 May 2022 following which the Ardonagh Group activities became overseen by a newly created subsidiary of Tara from 1 June 2022, Ardonagh Group Holdings Limited.