

Registration number: 04907859

# Health and Protection Solutions Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020



## **Health and Protection Solutions Limited**

### **Contents**

Company Information	1
Strategic Report	2 to 5
Directors' Report	6 to 7
Statement of Directors' Responsibilities	8
Independent Auditor's Report to the members of Health and Protection Solutions Limited	9 to 12
Statement of Comprehensive Income	13
Statement of Financial Position	14 to 15
Statement of Changes in Equity	16
Notes to the Financial Statements	17 to 42

## **Health and Protection Solutions Limited**

### **Company Information**

<b>Directors</b>	I R P Laws
	H S Williams
	R L Worrell
<b>Company secretary</b>	D Clarke
<b>Registered office</b>	West Park House
	23 Cumberland Place
	Southampton
	SO15 2BB
	United Kingdom
<b>Auditor</b>	Deloitte LLP
	1 New Street Square
	London
	EC4A 3HQ
	United Kingdom

## Health and Protection Solutions Limited

### Strategic Report for the Year Ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020 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. The Company is part of The Ardonagh Group Limited ("the Group").

#### Principal activities and business review

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

The results for the Company show turnover of £33.0m (2019: £22.8m) and profit before tax of £8.2m (2019: £3.5m) for the year. At 31 December 2020 the Company had net assets of £27.7m (2019: net liabilities £2.0m). The going concern note (part of accounting policies) on page 18 sets out the reasons why the directors continue to believe that the preparation of the financial statements on a going concern basis is appropriate.

#### 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.

#### Outlook

The Company will look to consolidate its position in the Health market following a number of business combinations in 2019. However, the unprecedented and rapidly evolving nature of the global Covid-19 pandemic (including the short-term and long-term effects thereof) creates unprecedented and extraordinary uncertainties for most businesses including Health and Protection Solutions Limited. Consideration of the financial risk and future impact can be found in the Strategic Report within the 'Risk management' section and the Going concern disclosure in note 2.

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

	Unit	2020	2019
Total income	£m	33.0	22.8
Operating expenses (salaries and associated costs, and administrative expenses)	£m	19.2	12.7
Operating expenses/Total income ratio	%	58.1	55.7

The £10.2m increase in revenue in 2020 includes the first full year of revenue arising from the acquisition of the trade of Chase Templeton Limited and the Towergate Health portfolio on 1 August 2019. Operating profit has also increased as a result of the ongoing appointed representative (AR) acquisition programme resulting in commissions paid away reducing from £4.5m in 2019 to £2.5m in 2020.

The operating expense ratio has increased by 2.4% in 2020, despite synergies arising from these business and AR acquisitions, due to an increase in salaries and associated costs of £4.9m to £13.4m in 2020.

## Health and Protection Solutions Limited

### Strategic Report for the Year Ended 31 December 2020 (continued)

The Company's key non-financial performance indicator is staffing levels, which have increased by 6% in the year mainly due to the business combination in 2019 which saw staff TUPE across as part of the transfers.

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 moved to homeworking in 2020. 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.

##### *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 £411.5m at 31 March 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.

## **Health and Protection Solutions Limited**

### **Strategic Report for the Year Ended 31 December 2020 (continued)**

#### *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.

#### *Cyber-security and data protection*

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

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

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

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

## Health and Protection Solutions Limited

### Strategic Report for the Year Ended 31 December 2020 (continued)

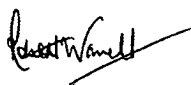
#### *Future impact of Brexit*

Global political tensions have increased, such as related to Brexit, the US's approach to international trade and protectionism, and China tensions. As the Group expands internationally, they will be factored into investment decisions.

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

Approved by the Board on 9 July 2021 and signed on its behalf by:



.....  
R L Worrell  
Director

## **Health and Protection Solutions Limited**

### **Directors' Report for the Year Ended 31 December 2020**

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

#### **Directors of the Company**

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

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 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 3.

#### **Future developments**

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

#### **Political donations**

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

#### **Employment of disabled persons**

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

#### **Employee involvement**

Employees are key to the Company's success, so an appropriate remuneration package is offered which rewards an individual's performance and contribution to the organisation. The Company is also keen to encourage 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.

#### **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 2020, the Company had net assets of £27.7m (2019: net liabilities £2.0m). 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.



## **Health and Protection Solutions Limited**

### **Directors' Report for the Year Ended 31 December 2020 (continued)**

#### **Directors' liabilities**

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


#### **Disclosure of information to the auditor**

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

#### **Reappointment of auditor**

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

Approved by the Board on 9 July 2021 and signed on its behalf by:



.....  
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 group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company 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; 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.

## **Health and Protection Solutions Limited**

### **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 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 of Health and Protection Solutions (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 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 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.

## **Health and Protection Solutions Limited**

### **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](http://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.

## **Health and Protection Solutions Limited**

### **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 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. 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
- Performed additional cut-off testing around the year-end date by selecting additional samples for revenue recognised in December 2020 and January 2021 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.

## **Health and Protection Solutions Limited**

### **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**

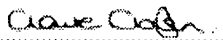
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

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

Date: 09 July 2021

## Health and Protection Solutions Limited

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

	Note	2020 £ 000	2019 £ 000
Commission and fees	4	33,000	22,758
Cost of sales		<u>(2,533)</u>	<u>(4,754)</u>
<b>Gross profit</b>		30,467	18,004
Salaries and associated costs	7	(13,400)	(8,453)
Administrative expenses		(5,845)	(4,269)
Depreciation, amortisation and impairment of non-financial assets		<u>(2,958)</u>	<u>(1,730)</u>
<b>Operating profit</b>		8,264	3,552
Loss from disposals of investments		-	(4)
Finance income		-	10
Finance costs		<u>(93)</u>	<u>(80)</u>
Net finance cost	6	<u>(93)</u>	<u>(70)</u>
Profit before tax		8,171	3,478
Tax expense	9	<u>(1,478)</u>	<u>(820)</u>
<b>Profit for the year</b>		<u><u>6,693</u></u>	<u><u>2,658</u></u>

The results for the year ended 31 December 2020 arise from continuing operations.

The notes on pages 17 to 42 form an integral part of these financial statements.

# Health and Protection Solutions Limited

(Registration number: 04907859)

## Statement of Financial Position as at 31 December 2020

	Note	2020 £ 000	2019 £ 000
<b>Non-current assets</b>			
Intangible assets	10	12,642	14,881
Property, plant and equipment	11	517	542
Right of use assets	12	533	856
Deferred tax assets	9	-	41
		<u>13,692</u>	<u>16,320</u>
<b>Current assets</b>			
Cash and cash equivalents		3,185	1,387
Trade and other receivables	13	78,110	50,012
Current tax assets		-	121
		<u>81,295</u>	<u>51,520</u>
<b>Current liabilities</b>			
Trade and other payables	14	(56,784)	(57,578)
Lease liabilities	12	(291)	(394)
Tax liabilities	9	(1,316)	-
Provisions	16	(80)	(25)
		<u>(58,471)</u>	<u>(57,997)</u>
<b>Net current assets/(liabilities)</b>		<u>22,824</u>	<u>(6,477)</u>
<b>Total assets less current liabilities</b>		<u>36,516</u>	<u>9,843</u>
<b>Non-current liabilities</b>			
Trade and other payables	14	(1,756)	(3,466)
Lease liabilities	12	(302)	(495)
Provisions	16	(6,720)	(7,879)
		<u>(8,778)</u>	<u>(11,840)</u>
<b>Net assets/(liabilities)</b>		<u>27,738</u>	<u>(1,997)</u>
<b>Capital and reserves</b>			
Share capital	17	49,500	26,500
Share premium reserve		1,000	1,000
Merger reserves		(21,755)	(21,797)
Retained losses		(1,007)	(7,700)
<b>Total equity</b>		<u>27,738</u>	<u>(1,997)</u>

The notes on pages 17 to 42 form an integral part of these financial statements.

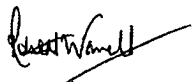


**Health and Protection Solutions Limited**

**(Registration number: 04907859)**

**Statement of Financial Position as at 31 December 2020 (continued)**

Approved by the Board on 9 July 2021 and signed on its behalf by:



.....  
R L Worrell  
Director

## Health and Protection Solutions Limited

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

	Note	Share capital £ 000	Share premium £ 000	Merger reserves £ 000	Retained losses £ 000	Total £ 000
<b>At 1 January 2020</b>		26,500	1,000	(21,797)	(7,700)	(1,997)
Profit for the year		-	-	-	6,693	6,693
On business combinations		-	-	42	-	42
New share capital subscribed	17	<u>23,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,000</u>
<b>At 31 December 2020</b>		<u>49,500</u>	<u>1,000</u>	<u>(21,755)</u>	<u>(1,007)</u>	<u>27,738</u>

	Share capital £ 000	Share premium £ 000	Merger reserves £ 000	Retained losses £ 000	Total £ 000
<b>At 1 January 2019</b>	-	1,000	-	(10,456)	(9,456)
Transition to IFRS 15	-	-	-	98	98
Profit for the year	-	-	-	2,658	2,658
New share capital subscribed	26,500	-	-	-	26,500
On business combinations	<u>-</u>	<u>-</u>	<u>(21,797)</u>	<u>-</u>	<u>(21,797)</u>
<b>At 31 December 2019</b>	<u>26,500</u>	<u>1,000</u>	<u>(21,797)</u>	<u>(7,700)</u>	<u>(1,997)</u>

The notes on pages 17 to 42 form an integral part of these financial statements.

## **Health and Protection Solutions Limited**

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

#### **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 2020 were authorised for issue by the Board on 9 July 2021 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 2020 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 EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

- 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 paragraph 33(c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures and of paragraphs 91-99 of IFRS 13 Fair Value Measurement;

## Health and Protection Solutions Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 2 Accounting policies (continued)

- 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;
- 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 28.

#### Going concern

As shown in account note 20, the Company is a member of a group ("the Group") of which The Ardonagh Group Limited ("TAGL") is the ultimate parent company and the highest level at which results are consolidated.

The financial statements of the Company have been prepared on a going concern basis. At 31 December 2020 the Company had net assets of £27.7m (2019: net liabilities of £2.0m) and net current assets of £22.8m (2019: net current liabilities of £6.5m). The net current assets include amounts receivable from related parties of £28.5m (2019: £46.1m), and amounts due to related parties of £5.8m (2019: £52.2m). The Company reported a profit before tax of £8.2m (2019: £3.5m).

The Company was one of a number of group companies who at 31 December 2020 guaranteed bank and bond debt owed by Ardonagh Midco 2 Plc and Ardonagh Midco 3 Plc, intermediate holding companies in the Group, (note 19).

## Health and Protection Solutions Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 2 Accounting policies (continued)

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

- The current capital structure and liquidity of the Company and the Group, that the Group manages its cash and funding requirements on a Group-wide basis, as well as the assessment that the Group continues to be a going concern.
- Following the Group's 14 July 2020 issuance of new borrowings, which the Group used to repay its existing borrowings and to fund acquisitions: (a) the Group will continue to benefit from a £191.5m Revolving Credit Facility that remained undrawn on 19 May 2021 being the date of TAGL's Q1 2021 interim report, and (b) payment-in-kind interest options are utilised.
- The change in the Group's capital structure, operations and liquidity following the 14 July 2020 issuance of new borrowings are reflected in the Group's adjusted base case and stressed cash flow forecasts over the calendar years 2021 and 2022.
- Adjustments included for the forecast cashflows from the material acquisitions completed at the date of finalisation of the Group's base case budget and impact on available and forecast liquidity of subsequent acquisitions completed and planned.
- The principal risks facing the Group, including the potential financial and operational impacts of Covid-19, and its systems of risk management and internal control.
- Actual Group trading and cashflows that arose in 2020 and the first four months of 2021 with continued positive financial results.
- Client retention and renewal rates continue to be robust, despite the current economic uncertainty, as the 2021 trading performance continues to demonstrate resilience across the Group.

Key stress scenarios that TAGL considered as part of the Group's 2020 and Q1 2021 Going Concern assessments include shortfalls to the Group's base plan projected income throughout 2021 and 2022 and deterioration in the base case cash conversion rates over and above the shortfalls in income. The Group also modelled reverse stress scenarios, including assessing those that result in a default on the Group's term debt facilities that would require a technical repayment obligation and those that would exhaust available liquidity. The stresses needed for these outcomes to happen significantly exceed the key stress scenarios above and the TAGL Directors considered such conditions to be a remote possibility. Other mitigations which may be possible in the stress scenarios but have not been included in the analysis include seeking shareholder support, securitising premium receivables and further incremental and more prolonged cost reductions.

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

The Directors of the Company and the Group have also considered the wider operational consequences and ramifications of the Covid-19 pandemic. In particular:

- The Group has demonstrated the efficiency and stability of the Group's infrastructure and the ability for home working for a significant portion of its employee base.
- Insurance broking is a resilient and defensive market, which has historically had limited impact from past economic or capital market downturns. The Group is highly diversified and not materially exposed to a single carrier, customer or market sector.

## Health and Protection Solutions Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 2 Accounting policies (continued)

- Although Covid-19 developments remain fluid, the stress testing demonstrates the Group's financial resilience and operating flexibility.
- The impact of Covid-19 on the Group has been very limited.

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

#### **Intangible assets**

##### *Customer relationships*

Customer relationship intangible assets are recognised on a business combination because the acquirer is able to benefit from selling future new business through existing relationships. Their fair value is calculated as the sum of the present value of projected cash flows in excess of returns on contributory assets over the life of the relationship with the customers. These assets are amortised on a straight-line basis over their estimated useful lives of between 6 and 17 years, which is estimated by reference to the history of the relationships and levels of attrition.

##### *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.

## Health and Protection Solutions Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 2 Accounting policies (continued)

##### *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.

##### **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:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Leasehold improvements	Over the remaining life of the lease
Computer equipment	33.3% per annum straight line
Furniture and office equipment	20% per annum straight line and 15% reducing balance basis depending on asset type

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.

##### **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.

## **Health and Protection Solutions Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

#### **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.



## Health and Protection Solutions Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 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.

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

##### **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.

## **Health and Protection Solutions Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

#### **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.

## Health and Protection Solutions Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 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 borrowings, and trade and other payables.

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

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

## Health and Protection Solutions Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 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.

## Health and Protection Solutions Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 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.

##### Accounting for business combinations under common control

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).

##### Finance income and costs policy

The Company's finance income and finance costs include:

- interest income; and
- unwind of discount on financial assets or liabilities, including on lease liabilities and lease receivables.

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

## **Health and Protection Solutions Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

#### **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**

###### **Leases - determination of the discount rate**

Under IFRS 16 the Company is required to measure the lease liabilities at the present value of lease payments to be made over the lease term. In substantially all leases the Group uses the incremental borrowing rate at the lease commencement date because the rate implicit in the lease is not readily determinable. The determination of the incremental borrowing rate has a material impact on the amounts initially recognised as a lease liability and as a corresponding right-of-use asset. It also impacts the amounts that are subsequently recognised as amortisation and interest expense in the statement of profit or loss.

The Company has determined the discount rate based on the interest rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to a right-of-use asset, and it is applied to new leases and certain modifications to existing leases.

For the first half of 2020, the Group used an average discount rate of 11.7%. From 14 July 2020, following changes to the Group's borrowing arrangements, the Group used an average discount rate of 9.5%.

###### **Provisions for liabilities (Future Renewal Scheme)**

The carrying amount at the reporting date of provision associated with the Company's Future Renewal scheme is £6.6m (2019: £7.6m), (note 16). 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.

## Health and Protection Solutions Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 4 Turnover

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

	2020	2019
	£ 000	£ 000
Commission and fees	<u>33,000</u>	<u>22,758</u>

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 in arriving at operating profit:

	2020	2019
	£ 000	£ 000
Amortisation of software	52	92
Amortisation of other intangible assets	2,403	1,080
Depreciation of property, plant and equipment	153	277
Loss on disposal of property, plant and equipment	-	4
Depreciation on right-of-use assets	350	281
Impairment of financial assets	193	394
Auditor's remuneration: audit of these financial statements	<u>47</u>	<u>45</u>

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.

## Health and Protection Solutions Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 6 Finance income and finance costs

	2020 £ 000	2019 £ 000
<b>Finance income</b>		
Interest income on bank deposits	-	10
<b>Finance costs</b>		
Effective interest on lease liabilities	<u>(93)</u>	<u>(80)</u>
Net finance costs	<u>(93)</u>	<u>(70)</u>

Finance costs represent the unwinding of discount calculated on the right-of-use liabilities (note 12).

#### 7 Salaries and associated costs

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

	2020 £ 000	2019 £ 000
Wages and salaries	11,795	7,405
Social security costs	1,154	794
Other pension costs	410	252
Redundancy costs	<u>41</u>	<u>2</u>
	<u>13,400</u>	<u>8,453</u>

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

	2020 No.	2019 No.
Administration	110	59
Sales	135	109
Management	<u>30</u>	<u>4</u>
	<u>275</u>	<u>172</u>



## Health and Protection Solutions Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020	2019
	£ 000	£ 000
Aggregate emoluments	227	163
Company contributions to money purchase pension scheme	-	15
	<u>227</u>	<u>178</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2020	2019
	No.	No.
Accruing benefits under money purchase pension scheme	-	1

In respect of the highest paid director:

	2020	2019
	£ 000	£ 000
<b>Amounts attributable to highest paid director</b>		
Aggregate emoluments	227	163
Company contributions to money purchase pension schemes	-	15

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.

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

#### 9 Income tax

Tax charged/(credited) in the Statement of Comprehensive Income

	2020	2019
	£ 000	£ 000
<b>Current taxation</b>		
UK corporation tax	2,065	998
UK corporation tax adjustment to prior periods	(628)	(213)
	<u>1,437</u>	<u>785</u>

## Health and Protection Solutions Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 9 Income tax (continued)

	2020 £ 000	2019 £ 000
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	(482)	29
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	523	6
	<u>41</u>	<u>35</u>
Total deferred taxation	<u>41</u>	<u>35</u>
Tax charge in the Statement of Comprehensive Income	<u>1,478</u>	<u>820</u>

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Profit before tax	<u>8,171</u>	<u>3,478</u>
Corporation tax at standard rate of 19% (2019: 19%)	1,553	661
Expenses not deductible for tax purposes	10	264
Transfer in of deferred tax balance	-	(25)
Deferred tax (credit)/expense relating to changes in tax rates or laws	(289)	5
Adjustments to tax charge in respect of previous periods - current tax	(628)	(213)
Fixed asset differences	428	26
Adjustments to tax charge in respect of previous periods - deferred tax	523	6
Deferred tax (credit)/expense from unrecognised tax loss or credit	<u>(119)</u>	<u>96</u>
Total tax charge	<u>1,478</u>	<u>820</u>

In the March 2021 Budget, it was announced that the UK Corporation Tax Rate will rise from its current rate of 19% to 25% with effect from April 2023.

#### Deferred tax

2020	Asset £ 000
Accelerated tax depreciation	
Provisions	<u>-</u>

## Health and Protection Solutions Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 9 Income tax (continued)

2019	Asset £ 000
Accelerated tax depreciation	37
Provisions	4
	<u>41</u>

Deferred tax movement during the year:

	At 1 January 2020 £ 000	Recognised in income £ 000	At 31 December 2020 £ 000
Accelerated tax depreciation	37	(37)	-
Provisions	4	(4)	-
Net tax assets	<u>41</u>	<u>(41)</u>	<u>-</u>

Deferred tax movement during the prior year:

	At 1 January 2019 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 31 December 2019 £ 000
Accelerated tax depreciation	94	(31)	(26)	37
Provisions	8	(4)	-	4
Net tax assets	<u>102</u>	<u>(35)</u>	<u>(26)</u>	<u>41</u>

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 £ 000	2019 £ 000
Accelerated tax depreciation	199	96
Provisions	43	-
Losses	<u>2,580</u>	<u>2,846</u>
Unrecognised deferred tax assets	<u>2,822</u>	<u>2,942</u>

## Health and Protection Solutions Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 9 Income tax (continued)

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.

#### 10 Intangible assets

	Trademarks, patents and licenses £ 000	Contractual customer relationships £ 000	Computer software £ 000	Software under construction £ 000	Total £ 000
<b>Cost or valuation</b>					
At 1 January 2020	104	24,090	695	-	24,889
Additions	-	-	146	70	216
At 31 December 2020	104	24,090	841	70	25,105
<b>Amortisation</b>					
At 1 January 2020	104	9,554	350	-	10,008
Charge for the year	-	2,403	52	-	2,455
At 31 December 2020	104	11,957	402	-	12,463
<b>Carrying amount</b>					
At 31 December 2020	-	12,133	439	70	12,642
At 31 December 2019	-	14,536	345	-	14,881

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.

## Health and Protection Solutions Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 11 Property, plant and equipment

	Leasehold improvements £ 000	Computer equipment £ 000	Furniture and office equipment £ 000	Total £ 000
<b>Cost or valuation</b>				
At 1 January 2020	286	452	610	1,348
Additions	-	109	19	128
At 31 December 2020	286	561	629	1,476
<b>Depreciation</b>				
At 1 January 2020	138	299	369	806
Charge for the year	26	81	46	153
At 31 December 2020	164	380	415	959
<b>Carrying amount</b>				
At 31 December 2020	122	181	214	517
At 31 December 2019	148	153	241	542

#### 12 Right-of-use assets and lease liabilities

##### Right-of-use assets

The Company applied IFRS 16 from 31 January 2019. 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 £ 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)

As at 31 December 2020, £0.3m (2019: £0.4m) lease liabilities are considered current and £0.3m (2019: £0.5m) are non-current.

## Health and Protection Solutions Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 12 Right-of-use assets and lease liabilities (continued)

	Property £ 000	Non-property £ 000	Total £ 000	Lease liabilities £ 000
At 1 January 2019	-	-	-	-
Additions	912	169	1,081	(1,080)
Terminations/modifications	80	(4)	76	-
Depreciation	(221)	(80)	(301)	-
Interest expense	-	-	-	(196)
Lease payments	-	-	-	386
At 31 December 2019	<u>771</u>	<u>85</u>	<u>856</u>	<u>(890)</u>

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

	2020 £ 000	2019 £ 000
<b>Expense relating to variable lease payments not included in the measurement of the lease liability (recognised within other operating expenses)</b>		
Service charges	35	-
Insurance rent	2	-
Other	<u>226</u>	<u>156</u>
	<u>263</u>	<u>156</u>

During the year ended 31 December 2020, the total cash outflow for leases was £0.7m (2019: £0.5m).

#### Maturity analysis

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

	2020 £ 000	2019 £ 000
Within one year	212	326
In one to five years	239	418
In over five years	<u>-</u>	<u>-</u>
Total undiscounted value	<u>451</u>	<u>744</u>

## Health and Protection Solutions Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 13 Trade and other receivables

	2020	2019
	£ 000	£ 000
<b>Current trade and other receivables</b>		
Trade receivables	3,935	3,253
Less: expected credit loss allowance	<u>(847)</u>	<u>(569)</u>
Net trade receivables	3,088	2,684
Receivables from other Group companies	74,127	46,086
Accrued income	-	50
Other prepayments	411	651
Other receivables	43	117
Other assets*	<u>441</u>	<u>424</u>
	<u><u>78,110</u></u>	<u><u>50,012</u></u>

\*Cost to fulfil contracts with customers of £0.4m (2019: £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.

#### 14 Trade and other payables

	2020	2019
	£ 000	£ 000
<b>Non-current trade and other payables</b>		
Deferred consideration	<u>1,756</u>	<u>3,466</u>
	<u><u>1,756</u></u>	<u><u>3,466</u></u>

## Health and Protection Solutions Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 14 Trade and other payables (continued)

	2020 £ 000	2019 £ 000
<b>Current trade and other payables</b>		
Trade payables in relation to insurance transactions	381	588
Accrued expenses	2,078	1,723
Amounts due to other Group companies	51,387	52,217
Social security and other taxes	-	90
Outstanding defined contribution pension costs	-	1
Other payables	552	41
Contract liabilities	206	207
Deferred consideration	2,180	2,711
	<u>56,784</u>	<u>57,578</u>

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 £1.0m (2019: £6.1m) deferred consideration payable in respect of exercised future renewal scheme liabilities were reclassified as non-current trade and other payables.

#### 15 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 (2019: £0.3m) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2020, contributions of £Nil (2019: £1k) due in respect of the current reporting year had not been paid over to the schemes and are included in other payables.



## Health and Protection Solutions Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 16 Provisions

	Dilapidations £ 000	Other provisions £ 000	Total £ 000
At 1 January 2020	311	7,593	7,904
Reclassified as trade payables (note 14)	-	(1,017)	(1,017)
Decrease in existing provisions	(87)	-	(87)
At 31 December 2020	<u>224</u>	<u>6,576</u>	<u>6,800</u>
Current liabilities	<u>80</u>	<u>-</u>	<u>80</u>
Non-current liabilities	<u>144</u>	<u>6,576</u>	<u>6,720</u>

#### 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 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 14).

#### 17 Share capital

##### Allotted, called up and fully paid shares

	2020		2019	
	No.	£	No.	£
Ordinary shares of £1 each	<u>49,500,110</u>	<u>49,500,110</u>	<u>26,500,110</u>	<u>26,500,110</u>

On 19 June 2020, the Company issued 23,000,000 ordinary shares for a total consideration of £23.0m. The shares were fully subscribed by the Company's immediate parent, Ardonagh Advisory Holdings Limited.

#### 18 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.

## **Health and Protection Solutions Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

#### **19 Commitments**

##### **Guarantees**

On 14 July 2020, the Group issued new borrowings, with Ardonagh Midco 2 Plc issuing \$500.0m payment-in-kind (PIK) toggle notes due 2027, and Ardonagh Midco 3 Plc entering into a privately placed term loan facility due 2026 of £1.575 billion comprising £1.413 billion denominated in pound sterling and €180.0m denominated in euro. A £300.0m CAR facility due 2026 and a £191.5m RCF due 2026 were also issued on 14 July 2020. On 22 October 2020, £50.0m was drawn on the CAR facility to fund acquisitions, which left £250.0m of the CAR facility still available at 31 December 2020 and a further £150.0m has since been drawn to fund further acquisitions at the date of this report. The RCF is not drawn at the date of this report.

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

On 5 October 2018, a letter of credit of £50.0m was issued for the benefit of specified entities within the Group solely to provide credit support in respect of potential redress liabilities relating to the sale of certain enhanced transfer value (ETV) products. This letter of credit facility was reduced to £28.0m on 8 September 2020 as a result of outstanding ETV liabilities having reduced as ETV settlements have been made.

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

Arachas Corporate Brokers Limited

Ardonagh Midco 3 Plc (Issuer of the private debt; only a guarantor under the \$500m public notes)

Ardonagh Advisory Holdings Limited

Ardonagh Finco Plc

Ardonagh Services Limited

Ardonagh Specialty Holdings Limited

Atlanta 1 Insurance Services Limited

Bishopsgate Insurance Brokers Limited

Bravo Investment Holdings 3 Limited

Bravo Investment Holdings 4 Limited

Carole Nash Insurance Consultants Limited

Finch Commercial Insurance Brokers Ltd

Geo Underwriting Services Limited

## **Health and Protection Solutions Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

#### **19 Commitments (continued)**

Hawkwood Investment Holdings Limited

Health and Protection Solutions Limited

Paymentshield Limited

Price Forbes & Partners Limited

Swinton Group Limited

The Broker Network Limited

Towergate Underwriting Group Limited

URIS Group Limited

Verulam Holdings Limited

## **Health and Protection Solutions Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

#### **20 Parent and ultimate parent undertaking**

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

2 Minster Court  
Mincing Lane  
London  
EC3R 7PD