

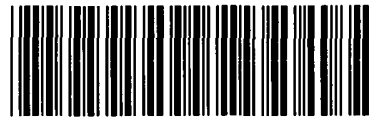
Registration number: 05248194

Towergate Financial (North) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021

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Towergate Financial (North) Limited

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Towergate Financial (North) Limited

Company Information

Directors	D C Ross D Cougill
Company secretary	Ardonagh Corporate Secretary Limited
Registered office	2 Minster Court Mincing Lane London EC3R 7PD United Kingdom
Auditor	Deloitte LLP 1 New Street Square London EC4A 3HQ United Kingdom

Towergate Financial (North) Limited

Strategic Report for the Year Ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021 for Towergate Financial (North) 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 17, 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 activity and business review

On 16 March 2015, all of the trading assets of the Company were sold and the Company ceased to trade. The Company has been in run-off from this date.

The results for the Company show turnover of £Nil (2020: £139,185) and loss before tax of £133 (2020: profit of £142,231) for the year. At 31 December 2021 the Company had net assets of £1,536,255 (2020: £1,536,388).

The going concern note (part of accounting policies) on page 14 sets out the reasons why the directors believe that the preparation of the financial statements on a basis other than that of a going concern is appropriate.

Outlook

The ETV past business review and redress programme associated with a number of the Towergate Financial subsidiaries is now considered complete. It remains the directors' intention to liquidate the Company once the run-off process has completed.

Key Performance Indicators

The Company is no longer trading and has no set performance targets and as at 31 December 2021 has net assets of £1.5m (2020: £1.5m). During 2021, the Group concluded settlement of all but a minimal number of ETV cases (any remaining cases are anticipated to be minimal and/or are progressing through referral to the Financial Ombudsman Service). As a result, the Financial Conduct Authority (FCA) has confirmed that it considers the Past Business Review completed to its satisfaction. It is therefore expected that significant progress can be made by Management to dissolve the Company over the next twelve months.

Principal risks and uncertainties

The principal risk facing the Company is ensuing timely settlement of its liabilities, which Towergate Financial (Group) Limited oversees as part of its position as an intermediate holding company in the wider Group. The directors believe that the Company has access to financial support to meet projected financial obligations over the coming year. This is based upon cash flow projections over a period of twelve months from the date of approval of the Financial Statements and Ardonagh Services Limited's present intention to provide ongoing financial support.

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

Towergate Financial (North) Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

The principal risks and their mitigation are as follows:

Financial risk

The Company is in run-off and therefore less exposed to the economic environment when compared with active trading entities. However, it remains reliant on the Group for on-going financial support. The Group is expanding internationally but operates predominantly in the UK and is affected by economic conditions in the UK and the associated possibility of decline in business and customer confidence. 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 Company and Group have demonstrated their resilience from an economic shock and operational and financial resilience in response to the ongoing Covid-19 pandemic. The Company and Group have 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.

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 31/08/2022 and signed on its behalf by:



.....
D Cougill
Director

Towergate Financial (North) 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 date of signing the financial statements, were as follows:

D C Ross

D Cougill

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 2.

Future developments

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

Political donations

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

Going concern

The Company disposed of their trade and assets on 16 March 2015, and is in run-off. As a consequence, the financial statements of the Company have been prepared on a basis other than that of a going concern.

Directors' indemnities

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

Subsequent events

Details of subsequent events can be found in the 'Subsequent events' note on page 26.

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 31/08/2022 and signed on its behalf by:



D Cougill
Director

Towergate Financial (North) 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 judgements and 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 responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Towergate Financial (North) Limited

Independent Auditor's Report to the members of Towergate Financial (North) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Towergate Financial (North) 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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, which comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 17.

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.

Emphasis of matter – Financial statements prepared other than on a going concern basis

We draw attention to note 2 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

Towergate Financial (North) Limited

Independent Auditor's Report to the members of Towergate Financial (North) 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 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.

Towergate Financial (North) Limited

Independent Auditor's Report to the members of Towergate Financial (North) Limited (continued)

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

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

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

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

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

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with regulatory authorities.

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.

Towergate Financial (North) Limited

Independent Auditor's Report to the members of Towergate Financial (North) Limited (continued)

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.



.....
Jamie Weisfeld, FCA, Partner (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

Date: 31/08/2022.....

Towergate Financial (North) Limited

Statement of Comprehensive Income for the Year Ended 31 December 2021

	Note	2021 £	2020 £
ETV/UCIS income		-	139,185
Operating profit	4	-	139,185
Finance income	5	-	3,219
Revaluation of UCIS assets	12	(133)	(173)
(Loss)/profit before tax		(133)	142,231
Tax charge	8	-	(612)
(Loss)/profit for the year		(133)	141,619

The above results were derived from discontinued operations. There are no items of other comprehensive income in the current or prior period.

The notes on pages 13 to 25 form an integral part of these financial statements.


Towergate Financial (North) Limited

(Registration number: 05248194)

Statement of Financial Position as at 31 December 2021

	Note	2021 £	2020 £
Current assets			
Cash and cash equivalents	9	203,443	1,699,585
Trade and other receivables	10	3,652,627	2,156,485
Investment in subsidiaries	11	133	133
Financial assets at fair value through profit or loss	12	664	797
		<u>3,856,867</u>	<u>3,857,000</u>
Current liabilities			
Trade and other payables	13	(2,320,054)	(2,320,054)
Current tax liabilities		(558)	(558)
		<u>(2,320,612)</u>	<u>(2,320,612)</u>
Net current assets		<u>1,536,255</u>	<u>1,536,388</u>
Net assets		<u>1,536,255</u>	<u>1,536,388</u>
Capital and reserves			
Share capital	14	2,500,468	2,500,468
Other reserves		2,000,000	2,000,000
Retained losses		(2,964,213)	(2,964,080)
Total equity		<u>1,536,255</u>	<u>1,536,388</u>

Approved by the Board on 31/08/2022 and signed on its behalf by:



 D Cougill
 Director

The notes on pages 13 to 25 form an integral part of these financial statements.

Towergate Financial (North) Limited

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

	Share capital (Note 14) £	Other reserves £	Retained losses £	Total £
At 1 January 2021	2,500,468	2,000,000	(2,964,080)	1,536,388
Loss for the year	<u>-</u>	<u>-</u>	<u>(133)</u>	<u>(133)</u>
At 31 December 2021	<u>2,500,468</u>	<u>2,000,000</u>	<u>(2,964,213)</u>	<u>1,536,255</u>

Other reserves reflects the £2.0m capital contribution from Ardonagh Services Limited, an indirect parent company, made in 2016.

	Share capital (Note 14) £	Other reserves £	Retained losses £	Total £
At 1 January 2020	2,500,468	2,000,000	(3,105,699)	1,394,769
Profit for the year	<u>-</u>	<u>-</u>	<u>141,619</u>	<u>141,619</u>
At 31 December 2020	<u>2,500,468</u>	<u>2,000,000</u>	<u>(2,964,080)</u>	<u>1,536,388</u>

The notes on pages 13 to 25 form an integral part of these financial statements.

Towergate Financial (North) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

1 General information

The Company is a private company limited by share capital incorporated and registered in England, United Kingdom, under the Companies Act 2006. The Company's registered office is 2 Minster Court, Mincing Lane, London, United Kingdom, EC3R 7PD. The principal activity of the Company is disclosed on page 2 within the 'Strategic Report'.

These financial statements for the year ended 31 December 2021 were authorised for issue by the board on 31/08/2022..... and the Statement of Financial Position was signed on the board's behalf by D Cougill.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

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

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

These financial statements have been prepared under the historical cost convention, as modified to use a different measurement basis where necessary to comply with FRS 101.

As a wholly owned subsidiary of The Ardonagh Group Limited for the year ended 31 December 2021, the Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group accounts, and its results are included in the consolidated accounts of its ultimate parent.

There are no new standards, amendments or interpretations which are effective in 2021 or not yet effective and that are expected to materially impact the Company's financial statements.

Towergate Financial (North) Limited

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

2 Accounting policies (continued)

Summary of disclosure exemptions

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK ("UK-adopted IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

- the requirements of IFRS 7 Financial Instruments: Disclosures and of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- 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. This information is included in the consolidated financial statements of The Ardonagh Group Limited as at 31 December 2021 and these financial statements may be obtained from 2 Minster Court, Mincing Lane, London, EC3R 7PD.

Going concern

The Company disposed of their trade and other assets on 16 March 2015. At 31 December 2021 the Company had net assets of £1,536,255 (2020: £1,536,388). The net assets include amounts receivable from related parties of £3,652,628 (2020: £2,156,485) and amounts due to related parties of £2,320,054 (2020: £2,320,054). The company reported a loss before tax of £133 (2020: profit of £142,231).

It is the directors' intention to liquidate the Company once its liabilities have been settled. Consequently, the financial statements have been prepared on a basis other than that of a going concern. As explained in the Principal risks and uncertainties paragraph in the Strategic Report on page 2, the Company relies on Ardonagh Services Limited for financial support.

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

Cash and cash equivalents

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

Towergate Financial (North) Limited

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

2 Accounting policies (continued)

Recognition of other income

As part of a past business review of unregulated collective investment scheme (UCIS) sales, the company took ownership of certain illiquid investments from clients following the settlement of redress. Due to their illiquid nature these assets are recognised in the balance sheet at 20% of their valuation by the asset managers. Where opportunities have arisen to redeem or sell these assets, any profit or loss on the disposal is recognised in the profit and loss account as a recovery of the redress costs previously incurred.

Taxation

Current tax

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

Deferred tax

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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.

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 directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in Statement of Comprehensive Income.

Derecognition

Financial assets

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

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

Towergate Financial (North) Limited

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

2 Accounting policies (continued)

Financial liabilities

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

Offsetting

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

Classification and subsequent measurement of financial assets

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

Financial assets are classified into one of the following three categories:-

- 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, as detailed below:-

Financial assets classified as amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:-

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

If either of the above two criteria is not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL).

If a financial asset meets the amortised cost criteria, the company may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

Financial assets classified as FVTPL

Financial assets not otherwise classified above are classified and measured as FVTPL.

Towergate Financial (North) Limited

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

2 Accounting policies (continued)

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.

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 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.

Classification and subsequent measurement of financial liabilities

All financial liabilities are measured at amortised cost using the effective interest rate method.

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.

Investment in subsidiaries

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

Impairment of investment

The carrying amount of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income.

Calculation of recoverable amount

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 value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Towergate Financial (North) Limited

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

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

4 Operating (loss)/profit

Arrived at after crediting/(charging):

	2021	2020
	£	£
ETV/UCIS income	-	139,185
Loss on revaluation of other financial assets	<u>(133)</u>	<u>(173)</u>

The audit fee for these financial statements of £8,779 (2020: £7,943) was paid for by other Group entities for which no recharge was made.

Amounts receivable by the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent for the year ended 31 December 2021, The Ardonagh Group Limited.

5 Finance income

	2021	2020
	£	£
Finance income		
Interest income on bank deposits	<u>-</u>	<u>3,219</u>
Total finance income	<u>-</u>	<u>3,219</u>

6 Staff costs

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

Towergate Financial (North) Limited

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

7 Directors' remuneration

The emoluments of all directors are paid by other Group companies, which make no recharge to the Company. These directors are directors of The Ardonagh Group Limited and/or other fellow subsidiaries. Their total emoluments are included in the consolidated financial statements of The Ardonagh Group Limited for the year ended 31 December 2021. It is impracticable to determine the proportionate amount of emoluments relating to Towergate Financial (North) Limited.

8 Taxation

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

	2021 £	2020 £
Current taxation		
UK corporation tax	-	612
Adjustments in respect of prior periods	-	-
	<u>-</u>	<u>612</u>
Deferred taxation		
Origination and reversal of temporary differences	-	-
Adjustments in respect of prior periods	-	-
Effect of tax rate change on opening balances	-	-
Total deferred taxation	<u>-</u>	<u>-</u>
Tax charge/(credit) in the Statement of Comprehensive Income	<u>-</u>	<u>612</u>

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 £	2020 £
(Loss)/profit before tax	<u>(133)</u>	<u>142,231</u>
Corporation tax at standard rate of 19% (2020: 19%)	(25)	27,024
Movement in deferred tax not recognised	108,400	12,490
Remeasurement of deferred tax for changes in tax rates	<u>(108,375)</u>	<u>(38,902)</u>
Total tax charge/(credit)	<u>-</u>	<u>612</u>
Deferred tax		

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

Towergate Financial (North) Limited

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

8 Taxation (continued)

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	2020
	£	£
Losses	451,564	343,163
Unrecognised deferred tax assets	<u>451,564</u>	<u>343,163</u>

9 Cash and cash equivalents

	2021	2020
	£	£
Cash at bank	340	1,496,482
Short-term deposits	<u>203,103</u>	<u>203,103</u>
	<u>203,443</u>	<u>1,699,585</u>

Cash at bank includes £340 (2020: £1,496,482) of restricted cash in relation to the disposal of the Towergate Financial business, recoveries from professional indemnity insurers and UCIS asset sales. This is held in segregated accounts as requested by the FCA.

£203,103 (2020: £203,103) of restricted cash is kept in segregated accounts for purposes of solvency and capital adequacy requirements imposed by the FCA.

10 Trade and other receivables

	2021	2020
	£	£
Receivables from other Group companies	<u>3,652,627</u>	<u>2,156,485</u>

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

Towergate Financial (North) Limited

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

11 Investment in subsidiaries

	£
Cost or valuation	
At 1 January 2021	133
At 31 December 2021	133
Impairment	
At 1 January 2021	-
At 31 December 2021	-
Carrying amount	
At 31 December 2021 - Ordinary shares of £1 each	133
At 31 December 2020 - Ordinary shares of £1 each	133

Details of the subsidiaries as at 31 December 2021 are as follows.

Name of subsidiary	Principal activity	Country of incorporation and Principal place of business	Share class	Company interest in ordinary share capital and voting rights held	
				2021	2020
CCG Financial Services Limited	Dormant	England	Ordinary	100%	100%

The registered office address of the above subsidiary is 2 Minster Court, Mincing Lane, London, EC3R 7PD.

12 Other financial assets

	2021 £	2020 £
Current financial assets		
Financial assets at fair value through profit or loss	664	797

Financial assets at fair value through profit or loss includes UCIS recovered assets. They are categorised within level 3 of the fair value hierarchy. Where no professional valuation is available, they are recognised at their published net asset value with an appropriate adjustment applied to the published unit price to reflect their illiquid nature and potentially lower net realisable value.

Towergate Financial (North) Limited

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

12 Other financial assets (continued)

Movement in other financial assets

	2021 £	2020 £
Cost		
At 1 January	797	970
Revaluation	<u>(133)</u>	<u>(173)</u>
At 31 December	<u>664</u>	<u>797</u>
Provision		
At 1 January	<u>-</u>	<u>-</u>
Carrying amount		
At 31 December	<u><u>664</u></u>	<u><u>797</u></u>

13 Trade and other payables

	2021 £	2020 £
Current trade and other payables		
Amounts due to a parent undertaking	58,245	58,245
Amounts due to other Group companies	<u>2,261,809</u>	<u>2,261,809</u>
	<u><u>2,320,054</u></u>	<u><u>2,320,054</u></u>

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

Towergate Financial (North) Limited

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

14 Share capital

Allotted, called up and fully paid shares

	No.	2021 £	No.	2020 £
A Ordinary of £1 each	25,000	25,000	25,000	25,000
B Ordinary of £1 each	25,000	25,000	25,000	25,000
C Ordinary of £1 each	25,000	25,000	25,000	25,000
D Ordinary of £1 each	25,000	25,000	25,000	25,000
E Ordinary of £1 each	100	100	100	100
F Ordinary of £1 each	25,000	25,000	25,000	25,000
G Ordinary of £1 each	25,000	25,000	25,000	25,000
H Ordinary of £1 each	25,000	25,000	25,000	25,000
Ordinary shares of £1 each	1,525,368	1,525,368	1,525,368	1,525,368
Preference shares of £1 each	800,000	800,000	800,000	800,000
	<u>2,500,468</u>	<u>2,500,468</u>	<u>2,500,468</u>	<u>2,500,468</u>

The nine classes of ordinary shares rank pari passu in all respects.

Preference shares carry no right to vote at any general meeting. Holders are entitled to receive a dividend at the rate of 10% per annum of the paid up value of each share in priority to the ordinary shareholders. The dividends accruing to the Preferred shareholders but not declared (and not included on the Statement of Financial Position) as at 31 December 2021 amount to £965,452 (2020: £885,452). On winding-up the holders are entitled to a distribution in priority to the other classes of shares.

Towergate Financial (North) Limited

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

15 Related party transactions

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

Business was also conducted, on an arm's length basis, within The Ardonagh Group Limited group of companies. The table below shows the transactions and balances with entities that form part of the Group.

	2021	2021	2021	2020	2020	2020
	Paid to	Received	(Due to) / receivable from from at year end	Paid to	Received	(Due to) / receivable from from at year end
	£	£	£	£	£	£
Towergate Financial (Group) Limited	-	-	(55,554)	-	-	(55,554)
Towergate Financial (West) Limited	-	-	(2,247)	-	-	(2,247)
CCG Financial Services Limited	-	-	(133)	-	-	(133)
Towergate Financial (Huddersfield) Intermediate Limited	-	-	(2,103,555)	-	-	(2,103,555)
Towergate Financial (Huddersfield) Limited	-	-	(10,000)	-	-	(10,000)
Advisory Insurance Brokers Limited (formerly Towergate Underwriting Group Limited)	-	-	(145,873)	-	-	(145,873)
Ardonagh Midco 3 Plc	-	-	(2,692)	-	-	(2,692)
Ardonagh Services Limited	1,496,142	-	3,652,627	-	-	2,156,485

Towergate Financial (North) Limited

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

16 Parent and ultimate parent undertaking

The immediate parent company is Towergate Financial (North) Holdings Limited and the ultimate parent company is Tara Topco Limited, (note 17).

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, Mincing Lane, London, United Kingdom, 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
United Kingdom
EC3R 7PD

17 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.