

Registration number: 05938669

# Arista Insurance Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020



# **Arista Insurance Limited**

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## **Arista Insurance Limited**

### **Company Information**

<b>Directors</b>	D C Ross D Cougill
<b>Company secretary</b>	D Clarke
<b>Registered office</b>	2 Minster Court Mincing Lane London EC3R 7PD United Kingdom
<b>Statutory Auditor</b>	Deloitte LLP 1 New Street Square London EC4A 3HQ United Kingdom

## **Arista Insurance Limited**

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

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

#### **Principal activity and business review**

The principal activity of the Company is the provision of insurance underwriting services. However, following the transfer of the Company's trade and related assets to Geo Underwriting Services Limited on 1 February 2018, the Company has been in run-off. However, management have intentions for additional activities in the future for this entity.

The results for the Company show turnover of £Nil (2019: £Nil) and profit before tax of £Nil (2019: £Nil) for the year. At 31 December 2020 the Company had net assets of £38.6m (2019: £38.6m). The going concern note (part of accounting policies) sets out the reasons why the directors continue to believe that the preparation of the financial statements on a going basis concern is appropriate.

#### **Outlook**

On 1 February 2018, the Company disposed of its ongoing trade and related assets to Geo Underwriting Services Limited, a fellow Group company, and has been in run-off from this date. Although in run off, management have intentions for additional activities in the future for this entity and as such these statements have been prepared on a going concern basis.

The unprecedented nature of the global Covid-19 pandemic (including the short-term and long-term effects thereof) creates unprecedented and extraordinary uncertainties for most businesses including Arista Insurance Limited. Consideration of the financial risk and future impact can be found in the 'Principal risks and uncertainties' section below but as the Company is in run-off, the impact is not expected to be material.

#### **Key performance indicators**

The directors of Ardonagh manage the Group's operations on a segmental basis. For this reason, the Company's directors believe that a separate analysis for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business. The development, performance and position of the Group which includes this Company is discussed in the Group's annual report.

#### **Principal risks and uncertainties**

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

## **Arista Insurance Limited**

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

The principal risks and their mitigation are as follows:

#### *Financial risk*

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

#### *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.

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

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

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

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

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

#### **Impact of Covid-19**

The Company and Group have considered the wider operational consequences and ramifications of the Covid-19 pandemic. Although Covid-19 developments remain fluid, financial stress testing demonstrates the Group's financial resilience and operating flexibility.

The Group has sufficient liquidity to withstand a period of potential poor trading resulting from a sustained impact of Covid-19, although this has not materialised to date with the income impacts predominantly limited to the second quarter of 2020 and substantially offset by additional cost savings. The Group had available liquidity of £405.1m at 30 June 2021 and closely monitors available liquidity on an ongoing basis.

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

## **Arista Insurance Limited**

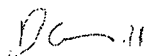
### **Strategic Report for the Year Ended 31 December 2020 (continued)**

#### **Brexit**

Brexit affects the ability of businesses to passport from the UK into other EU states and likewise into the UK from the EU. The Group's plans always assumed a no deal, 'hard' Brexit and as such the Group was prepared for Brexit. The direct impact on the Group's UK businesses is not significant because they conduct only limited business within the EU and, importantly, because the operating segments have implemented mitigation strategies (e.g. gaining direct authorisation in certain EU member states) to reduce the risk. However, the loss of passporting rights may affect the insurance markets in which the Group operates, possibly reducing insurance capacity, competition and choice.

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

Approved by the Board on 29th September 2021 and signed on its behalf by:



D Cougill  
Director

## **Arista Insurance 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 this report 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 2020 (2019: £Nil).

#### **Financial risk management objectives and policies**

Details of financial risk management objectives and policies can be found in the Strategic Report within the 'Principal risks and uncertainties' section on page 2.

#### **Future developments**

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

#### **Political donations**

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

#### **Subsequent events**

On 10 August 2021, the issued share capital of the company was reduced from £5,785,441.30 to £1 by cancelling and extinguishing 57,854,403 of the issued Ordinary shares of £0.10 each in the Company, each of which was fully paid up and the amount by which the share capital is reduced was credited to retained reserves.

On 10 August 2021, the share premium of £88,519 was reduced to nil and the amount credited to retained reserves.

#### **Going concern**

On 1 February 2018 the ongoing trade and assets of Arista Insurance Limited were transferred to Geo Underwriting Services Limited, a company under common control, in furtherance of the wider Group's legal entity rationalisation plan. Existing client balances and associated assets and liabilities are to remain in run-off within the Company. The financial statements have been prepared on a going concern basis. While the entity is in run off, management have intentions for additional activities in the future and as such have prepared on a going concern basis.

#### **Directors' indemnities**

All directors of the Company and fellow Group Companies benefit from qualifying third party indemnity provisions, subject to the conditions set out in the Companies Act 2006, in place during the financial year and at the date of this report. In certain circumstances, the Company can indemnify directors, in accordance with its Articles of Association, against costs incurred in the defence of legal proceedings brought against them by virtue of their office. Directors' and officers' liability insurance cover remains in place to protect all directors and senior managers.

#### **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.

**Arista Insurance Limited**

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

**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 29th September 2021 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'D Cougill', followed by a small vertical line.

D Cougill  
Director



## **Arista Insurance 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

## **Arista Insurance Limited**

### **Independent Auditor's Report to the members of Arista Insurance Limited**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion the financial statements of Arista Insurance Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 15.

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 basis**

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.

## **Arista Insurance Limited**

### **Independent Auditor's Report to the members of Arista Insurance 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 directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

## **Arista Insurance Limited**

### **Independent Auditor's Report to the members of Arista Insurance 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 and internal audit about their own identification and assessment of the risks of irregularities.

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

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

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, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

#### **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 directors' and the strategic report has been prepared in accordance with applicable legal requirements.

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

## **Arista Insurance Limited**

### **Independent Auditor's Report to the members of Arista Insurance Limited (continued)**

#### **Matters on which we are required to report by exception**

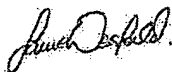
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

Date: 29th September 2021

# Arista Insurance Limited

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

	Note	2020 £ 000	2019 £ 000
Commission and fees		-	-
Salaries and associated costs		-	-
<b>Operating profit/(loss)</b>		-	-
<b>Profit/(loss) before tax</b>		-	-
Income tax credit/(charge)	7	5	(5)
<b>Profit/(loss) for the year</b>		5	(5)

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 15 to 22 form an integral part of these financial statements.

# Arista Insurance Limited

(Registration number: 05938669)

## Statement of Financial Position as at 31 December 2020

	Note	2020 £ 000	2019 £ 000
<b>Current assets</b>			
Intangible assets	8	-	-
Property, plant and equipment	9	-	-
Trade and other receivables	10	41,289	41,289
		<u>41,289</u>	<u>41,289</u>
<b>Current liabilities</b>			
Trade and other payables	11	(2,694)	(2,694)
Tax liabilities	7	-	(5)
		<u>(2,694)</u>	<u>(2,699)</u>
<b>Net current assets</b>		<u>38,595</u>	<u>38,590</u>
<b>Net assets</b>		<u>38,595</u>	<u>38,590</u>
<b>Capital and reserves</b>			
Share capital	12	5,785	5,785
Share premium		89	89
Capital contribution reserve		571	571
Merger reserves		32,910	32,910
Retained losses		<u>(760)</u>	<u>(765)</u>
<b>Total equity</b>		<u>38,595</u>	<u>38,590</u>

Approved by the Board on 29th September 2021 and signed on its behalf by:



.....  
D Cougill  
Director

The notes on pages 15 to 22 form an integral part of these financial statements.

# Arista Insurance Limited

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

	Share capital £ 000	Share premium £ 000	Capital contribution reserve £ 000	Merger reserves £ 000	Retained losses £ 000	Total £ 000
At 1 January 2020	5,785	89	571	32,910	(765)	38,590
Profit for the year	-	-	-	-	5	5
At 31 December 2020	<u>5,785</u>	<u>89</u>	<u>571</u>	<u>32,910</u>	<u>(760)</u>	<u>38,595</u>

In 2018, the Company disposed of business and assets to fellow Group entities. This resulted in the creation of a £32.9m merger reserve.

The Capital contribution reserve arose following the waiving of a preference share dividend in 2008.

	Share capital £ 000	Share premium £ 000	Capital contribution reserve £ 000	Merger reserves £ 000	Retained losses £ 000	Total £ 000
At 1 January 2019	5,785	89	571	32,910	(760)	38,595
Loss for the year	-	-	-	-	(5)	(5)
At 31 December 2019	<u>5,785</u>	<u>89</u>	<u>571</u>	<u>32,910</u>	<u>(765)</u>	<u>38,590</u>

The notes on pages 15 to 22 form an integral part of these financial statements.



## **Arista Insurance 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 incorporated and registered in England and domiciled in United Kingdom. The Company's registered office is 2 Minster Court, Mincing Lane, London, EC3R 7PD, United Kingdom. The principal activity of the Company is disclosed on page 2 within the 'Strategic Report' section.

These financial statements for the year ended year ended 31 December 2020 were authorised for issue by the Board on 29th September 2021 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.

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

## **Arista Insurance Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2020 (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 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 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;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to provide comparative period reconciliations in respect of outstanding shares, property, plant and equipment and intangible assets;
- the requirements in paragraph 10(d) of IAS 1 Presentation of Financial Statements to prepare a Cash flow statement and the requirements in IAS 7 Statement of Cash Flows regarding the same;
- the requirements of paragraphs 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 30 and 31 in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors regarding disclosure of new IFRS standards not yet effective at the reporting date and their potential impact;
- the requirements in paragraphs 17 and 18(a) of IAS 24 'Related Party Disclosures', regarding disclosure of information on key management personnel, and the IAS 24 disclosure on related party transactions entered into between two or more members of a Group, (provided that any subsidiary which is party to the transaction is wholly owned by such a member); and

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 (note 3).

##### **Going concern**

In February 2018, the Company disposed of its ongoing trade and related assets to Geo Underwriting Services Limited, a fellow Group company, and has been in run-off from that date. The financial statements have been prepared on a going concern basis.

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:

## **Arista Insurance Limited**

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

#### **2 Accounting policies (continued)**

- 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 18 August 2021 being the date of TAGL's Q2 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, which the Group used to repay its existing borrowings and to fund acquisitions. These are reflected in the adjusted base case and stressed cash flow forecasts over the calendar years 2021 and 2022.
- The impact on the base case cashflow forecasts arising from material acquisitions since the finalisation of the Group's base case budget.
- The principal risks facing the Group, including the potential financial impacts of Covid-19 as lockdown restrictions are eased in the UK, and its systems of risk management and internal control.
- Actual trading and cashflows that arose in the seven months ended July 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 Q2 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 Q2 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.
- 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.

## **Arista Insurance Limited**

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

#### **2 Accounting policies (continued)**

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.

While the entity is in run off, management have intentions for additional activities in the future and as such have prepared on a going concern basis.

##### **Financial assets**

Financial assets are initially measured at fair value plus directly attributable transaction costs. The company's financial assets include trade and other receivables. The subsequent measurement of financial assets is at amortised cost.

##### **Financial liabilities**

Financial liabilities are initially measured at fair value plus directly attributable transaction costs. The Company's financial liabilities include trade and other payables.

Trade and other payables represent amounts due to other Group companies and tax liabilities that are recognised at fair value and subsequently measured at amortised cost.

##### **Share capital**

Ordinary shares are classified as equity. Incremental cost directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### **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 estimates or judgements made in these financial statements that have a significant effect on the carrying amounts of assets and liabilities.

#### **4 Operating profit**

The audit fee of £21,180 (2019: £20,172) for the audit of this Company was paid 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, The Ardonagh Group Limited.

#### **5 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.

## Arista Insurance Limited

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

#### 6 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.

#### 7 Income tax

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

	2020 £ 000	2019 £ 000
<b>Current tax</b>		
UK corporation tax	-	-
Adjustments in respect of prior periods	5	(5)
	<u>5</u>	<u>(5)</u>
<b>Deferred tax</b>		
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>
Income tax credit/(charge) in Statement of Comprehensive Income	<u>5</u>	<u>(5)</u>

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Profit before tax	<u>-</u>	<u>-</u>
Corporation tax at standard rate of 19% (2019: 19%)	-	-
Adjustments to tax charge in respect of previous periods - current tax	5	(5)
Total tax credit/(charge)	<u>5</u>	<u>(5)</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.

# Arista Insurance Limited

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

### 8 Intangible assets

	Computer software £ 000	Total £ 000
<b>Cost or valuation</b>		
At 1 January 2020	739	739
At 31 December 2020	739	739
<b>Amortisation</b>		
At 1 January 2020	739	739
At 31 December 2020	739	739
<b>Carrying amount</b>		
At 31 December 2020	-	-
At 31 December 2019	-	-

### 9 Property, plant and equipment

	Fixtures and fittings £ 000	Computer hardware £ 000	Total £ 000
<b>Cost or valuation</b>			
At 1 January 2020	51	760	811
At 31 December 2020	51	760	811
<b>Depreciation</b>			
At 1 January 2020	51	760	811
At 31 December 2020	51	760	811
<b>Carrying amount</b>			
At 31 December 2020	-	-	-
At 31 December 2019	-	-	-

## Arista Insurance Limited

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

#### 10 Trade and other receivables

	2020	2019
	£ 000	£ 000
Receivables from other Group companies	<u>41,289</u>	<u>41,289</u>

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

#### 11 Trade and other payables

	2020	2019
	£ 000	£ 000
Amounts due to other Group companies	<u>2,694</u>	<u>2,694</u>

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

#### 12 Share capital

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

	2020		2019	
	No. 000	£ 000	No. 000	£ 000
Ordinary A of £0.10 each	3,609	360.90	3,609	360.90
Ordinary B of £0.10 each	1,641	164.10	1,641	164.10
Ordinary C of £0.10 each	1,214	121.40	1,214	121.40
Class 1 Preference of £1 each	<u>5,139</u>	<u>5,139</u>	<u>5,139</u>	<u>5,139</u>
	<u>11,603</u>	<u>5,785</u>	<u>11,603</u>	<u>5,785</u>

The Preference Shares automatically convert to "A" or "B" Ordinary Shares, to match the designation of those Ordinary Shares held by the relevant shareholder, on a pound for pound nominal basis on 30 June 2050. The Preference Shares may only be redeemed on 30 days' notice given by the Company or upon a winding up.

The A, B and C shareholders are entitled to notice of general meetings of the Company and are entitled to attend and vote at such meetings. Preference shareholders are entitled to notice of such meetings but are not entitled to attend and vote.

## Arista Insurance Limited

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

#### 13 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 but are not wholly owned by The Ardonagh Group Limited.

	2020	2020	2020	2019	2019	2019
	Paid to	Received from	Receivable from at year end	Paid to	Received from	Receivable from at year end
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Towergate Financial (Group) Limited	-	-	9	-	-	9

#### 14 Parent and ultimate parent undertaking

The immediate parent company of Arista insurance Limited is Towergate Risk Solutions Limited and the ultimate parent company is The Ardonagh Group Limited.

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

#### 15 Subsequent events

On 10 August 2021, the issued share capital of the company was reduced from £5,785,441.30 to £1 by cancelling and extinguishing 57,854,403 of the issued Ordinary shares of £0.10 each in the Company, each of which was fully paid up and the amount by which the share capital is reduced was credited to retained reserves.

On 10 August 2021, the share premium of £88,519 was reduced to nil and the amount credited to retained reserves.