Registration number: 05988054

Lloyd Latchford Group Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021

Lloyd Latchford Group Limited

Contents

Lloyd Latchford Group Limited

Company Information

Directors	T J Hutton
	C D Ball
	I J Donaldson
Company secretary	Ardonagh Corporate Secretary Limited
Registered office	3 Redman Court Bell Street Princes Risborough Buckinghamshire HP27 0AA United Kingdom
Auditor	Deloitte LLP Hanover Building Corporation St Manchester M4 4AH United Kingdom

Lloyd Latchford Group Limited

Strategic Report for the Year Ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021 for Lloyd Latchford Group 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 20, the Company is now overseen by a new holding company, Ardonagh Group Holdings Limited. Prior to this and as at 31 December 2021, the Company was part of The Ardonagh Group Limited. The Company and its subsidiaries under the new and previous holding company are referred to as the Group.

Principal activities and business review

The principal activity of the Company is the sale and administration of general insurance products, distributed through vehicle manufacturing partners, lease companies and a network of car dealership partners.

The results for the Company show turnover for the 12 months to 31 December 2021 of £9.1m (15 months to 31 December 2020: £11.0m) and profit before tax for the 12 months to 31 December 2021 of £1.3m (15 months to 31 December 2020: £1.3m) for the year. At 31 December 2021 the Company had net assets of £3.0m (2020: £2.0m). The going concern note (part of accounting policies) on page 19 sets out the reasons why the directors continue to believe that the preparation of the financial statements on a going concern basis is appropriate.

Section 172 (1) of the Companies Act 2006 (the "Act") Statement

The Directors take seriously their obligations under s.172 (1) (a)-(f) of the Companies Act 2006 ("S.172 Duties") to act in a way they consider, in good faith, would be the most likely to promote the success of the Company for the benefit of its members as a whole and in doing so, have regard to; the likely consequences of any decision in the long-term, the interests of the Company's employees, the need to foster the Company's business relationships with suppliers, customers and others, the impact of the Company's operations on the community and the environment, the desirability of the Company maintaining a reputation for high standards of business conduct and the need to act fairly as between members of the Company. The day to day Board level governance over the Lloyd Latchford Group business is undertaken by the Atlanta Investment Holdings 3 Limited Board ("Atlanta Board"). The directors of the Company are members of the Atlanta Board. The Atlanta Board considers the long-term consequences of its decisions and has identified the following as our key stakeholders and how the Atlanta Board engages with each stakeholder group as set out below.

Employees

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

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

Our third Group-wide employee pulse survey was undertaken in Q4 2021, which achieved an excellent 81% response rate from over 6,000 employees. The Group achieved an overall positivity score of 73.08% (2020: 74.74%). Our Group and Segment Boards have considered the pulse survey scores and the actions to be taken as a result of the survey, which include a refresh of actions to be taken across each of our 5 people commitments; Attract and Retain, Onboard and Develop, Recognise and Reward, Empower and Enable and Respect and Support. Each of these 5 people commitments outline our ambition for a diverse and fair workforce and an inclusive culture. The Group and each of our Segments have established diversity & inclusion forums in which to hold frank, straightforward conversations on topics such as well-being, diversity and inclusion and this two-way dialogue with our people has been warmly received and is leading to tangible actions and progress. Management understand that diversity and inclusion is an ongoing process and our journey will continue to be an area of focus, with key executives having individual personal objectives that support diversity and inclusion. Actions taken to date include mandatory all-staff unconscious bias training, extensive communications to promote awareness, an engagement of a third party to assist in improving diversity in recruitment in our Specialty business and Group-wide education and allyship on an ongoing basis and not just centred around annual celebrations, including International Women's Day and Pride Month.

Customers

Seeking good customer outcomes is central to the success of the business. Management continues to improve how we track how our customers perceive our businesses. In addition, our products and services are periodically reviewed to ensure they continue to meet the needs of our customers. Treating customers fairly and looking after vulnerable customers have been industry-wide priorities, as the impact of lockdowns meant millions more customers were tipped into 'low financial resilience'. Poor numeracy skills are seen as a big driver for this and the Atlanta Group, part of the Ardonagh Retail platform, was one of only two insurance companies in a cross-sector panel to put forward real-life examples of customer communications for Plain Numbers research with 5,000 consumers. The research, published in July 2021, found that Plain Number versions of the same customer insurance documents - such as explanations of excess or premium finance costs - on average doubled levels of understanding. Across five trials, customers seeing the Plain Numbers versions were nearly twice as likely to be able to answer 4 out of 5 comprehension questions correctly, thereby enabling them to make better decisions. Atlanta has now become one of the first insurance partners of Plain Numbers and colleagues will receive training to build a team of Plain Numbers Practitioners within Atlanta. The team will then go on to lead the organisation as it looks to support customer comprehension in key communications across our portfolio of brands. Our Segment Boards discharge oversight over performance against conduct risk frameworks and key customer related metrics to ensure the customer remains at the heart of our decision making. Our businesses have fully embraced the FCA requirements on general insurance pricing and value that came into force at the end of 2021.

Regulatory relationships

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

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

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

Community
Ardonagh contributes to the communities in which we operate through the Ardonagh Charitable Trust ('ACT').

ACT continues to be one of the Group's proudest achievements and a driver of connection both between our own people and with the wider community. Through this registered charity, we harness the passion of Ardonagh employees to deliver tangible support to the communities they live and work in and the causes closest to their hearts. Thanks to the generosity of our own community and the amazing local efforts of our people, ACT has raised over £1.5 million since 2018 and has supported over 400 charities to date.

In 2021, ACT's funding has helped hundreds of small, local charities chosen by our own employees to make a difference to those in need. Over £52,000 was paid via the match funding programme which boosts colleagues' individual fundraising efforts. 35 community projects put forward by our colleagues received a share in over £153,000 via the quarterly grant programme. ACT donated £87,000 to our chosen charity partner Samaritans as part of our ongoing commitment to raising funds and awareness for mental health services.

In 2021, ACT launched the Bright Future Prize to give young people aged between 15-19 years old the chance to win £20,000 to bring an idea to life that would make a difference to a community. Last year one overall winner received £20,000 and three highly commended prizes were awarded in addition. For 2022, the programme is being relaunched with a total funding pot of £40,000 to be awarded across four areas; Your Planet, Your Community, Your Vision and Your Passion, (£10,000 for each winner per category). The age range for the award is also being extended to 13-19 years old.

Throughout the year, we also encouraged colleagues to take their one-paid day a year of volunteering time and despite the ongoing restrictions imposed by Covid-19, over 460 hours were donated into local communities.

The Ardonagh Group ESG strategy is reported in the 2021 Ardonagh Group Annual Report.

Business strategy and objectives
The Company endeavours to provide customers and partners with high quality insurance products, delivered through innovative and easy to use systems. The Company develops appropriate policies and procedures that support this aim as well as ensuring that customers are treated fairly and consistently, and complaints are dealt with promptly. Serving our customers and partners well increases loyalty, and advocacy and the longevity of our relationships. This in turn strengthens our reputation and supports the commercial aims of the Company. The Company aims to generate income growth through attracting new partners and customers and retaining existing customers and partnerships. This is achieved through maintaining high standards of conduct as well as ensuring the insurers we choose to work with match our approach and standards with regards to underwriting and claims handling.

The Company delivers excellent products and service through highly engaged and appropriately knowledgeable, capable and skilled employees. The Company aims to attract, retain, motivate, develop and promote talent across all teams, within a positive culture that supports their development. Appropriate remuneration packages, objectives and performance management processes are in place that support both the Company's commercial objectives and deliver positive customer outcomes.

The Company actively encourages all employees to become involved in Group affairs and is also keen to encourage two way communications on relevant business issues. This is achieved through regular employee meetings and presentations by senior management and is supported by a Group wide communication plan. Further discussions on employee matters can be found in the directors' report.

Outlook

The Company aims to grow policies, income and profit by offering quality products via innovative and easy to use systems, supported by excellent customer service. This will enable the Company to retain existing partners and customers as well as attract new distribution partners and customers. This can only be achieved and sustained with a positive, collaborative and supportive culture that empowers and motivates employees to deliver the Company's strategic goals and objectives. Central to our ambition is treating customers fairly and having a consistent culture at all levels and in all teams within the Company.

Key performance indicators

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

	Unit	12 months to Dec 2021	15 months to Dec 2020
Gross written premium (GWP) brokered	£m	48.6	51.5
Total income (commission and fees, and other income)	£m	9.1	11.3
Administrative expenses (salaries and associated costs, and other operating costs)	£m	4.6	6.3
Total income/GWP ratio	%	18.7	21.9
Administrative expenses/total income ratio	%	50.5	55.7

The Income/GWP ratio has decreased from 21.9% in 2020 to 18.7% in 2021 due to competitive pressures on commission rates. Administrative expenses have decreased from £6.3m in 2020 to £4.6m in 2021. The additional costs incurred in the prior year were mainly attributed to a large new contract beginning at the end of 2019, which resulted in an increase in administrative costs for 2020.

Non-financial key performance indicators include staffing levels which have decreased from an average number of employees of 99 to 95 throughout the year.

Principal risks and uncertainties

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

The principal risks and their mitigation are as follows:

Strategic and commercial risk

There are risks of changes to the competitive and economic environment. This is mitigated by a robust strategy and planning process, regular monitoring of the economic and competitive environment and by diversification of product lines and channels.

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

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

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

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

Insurance market volatility
Volatility or declines in premiums, as well as declines in commission rates, may seriously undermine our business and results of operations.

We derive most of our revenue from commissions and fees for underwriting and broking services. Our commissions are generally based on insurance premiums, which are cyclical in nature and may vary widely based on market conditions. A significant reduction in commissions, along with general volatility or declines in premiums, could have a significant adverse effect on our business.

On a longer time horizon, the insurance markets might be disrupted by new technologies, "open finance" or new distribution structures, which may give rise to both risks and opportunities for the Group.

Breach of regulatory requirements
If we fail to comply with regulatory requirements, we may not be able to conduct our business or may be subject to substantial fines or other sanctions that may have an adverse effect on our results of operations and financial condition. The Group operates a robust risk and control framework (underpinned by the three line of defence governance model set out in the annual report of The Ardonagh Group Limited for the year ended 31 December 2021), and closely monitors changes to the regulatory environment.

Litigation
We are subject to various actual and potential claims, lawsuits and other proceedings relating principally to alleged errors, omissions or unfair provisions in connection with the placement of insurance or the provision of financial services advice in the ordinary course of business.

We maintain professional indemnity insurance for errors and omissions claims. The terms of this insurance vary by policy year and our ability to obtain professional indemnity insurance in the future may be adversely impacted by general developments in the market for such insurance, or by our own claims experience. If our insurance coverage proves inadequate or unavailable, there is an increase in liabilities for which we self-insure.

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

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

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

Approved by the Board on 22 September 2022 and signed on its behalf by:

C D Ball
Director

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

Directors of the Company

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

T J Hutton

C D Ball

I J Donaldson

Dividends

An interim dividend of £Nil (2020: £192,964) was approved by the directors prior to the Company being acquired by The Ardonagh Group Limited in the prior year. The directors do not recommend a final dividend payment to be made in respect of the financial year ended 31 December 2021 (2020: £Nil).

Financial risk management objectives and policies

Details of financial risk management objectives and policies can be found in the Strategic Report within the 'Principal risks and uncertainties' section on page 5.

Future developments

Details of future developments can be found in the Strategic Report within the 'Outlook' section on page 5.

Political donations

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

Subsequent events

Details of subsequent events can be found in the Notes to the financial statements within the 'Subsequent events' section on page 38.

Employment of disabled persons

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

Employee involvement

Employees are key to the Company's success, so an appropriate remuneration package is offered which rewards an individual's performance and contribution to the organisation. The Company is also keen to encourage an individual's personal development to ensure that they have the skills required to undertake their role. The Company places considerable value on the involvement of its employees and continues to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company and the Group as a whole. This is achieved by formal and informal meetings, by circulation of the Group weekly communications email, and by Group news posted on the internal website.

Lloyd Latchford Group Limited

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

Going concern

The Company's business activities, together with the factors likely to affect its future development are described in the Strategic Report on page 2. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Further details of this assessment can be found in note 2 to these financial statements.

Directors' indemnities

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

Disclosure of information to the auditor

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

Reappointment of auditor

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

Approved by the Board on 22 September 2022 and signed on its behalf by:

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C D Ball
Director

Lloyd Latchford Group 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 year. In preparing these financial statements, the directors are required to:

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

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Lloyd Latchford Group Limited

Independent Auditor's Report to the members of Lloyd Latchford Group Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Lloyd Latchford Group Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, which comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity;
- the Statement of Accounting Policies; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report to the members of Lloyd Latchford Group 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. This description forms part of our auditor's report.

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

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

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

Independent Auditor's Report to the members of Lloyd Latchford Group Limited (continued)

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

• had a direct effect on the determination of material amounts and disclosures in the financial statements. These includes UK Companies Act, pensions legislation, 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.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

• The risk that commission and fees were not recognised in the correct accounting period: We tested a sample of the *revenue recognised pre-year end and post year end 31st December 2021 and agreed back to supporting relevant* policy documentation and bank statements to ensure that the revenue has been recognised in the correct period.

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

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

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

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 or the Directors' Report.

Independent Auditor's Report to the members of Lloyd Latchford Group 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.

David Heaton

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David Heaton (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester, United Kingdom

22 September 2022

Lloyd Latchford Group Limited

Statement of Comprehensive Income for the Year Ended 31 December 2021

	Note	31 December 2021 £	1 October 2019 to 31 December 2020 £
Commission and fees	4	9,096,438	11,033,951
Cost of sales		(3,184,386)	(3,771,839)
Gross profit		5,912,052	7,262,112
Administrative expenses		(1,787,959)	(2,563,372)
Salaries and associated costs	7	(2,893,042)	(3,438,050)
Depreciation amortisation and impairment of non-financial assets		(124,384)	(158,563)
Other income	4	180,000	225,000
Operating profit	5	1,286,667	1,327,127
Finance income	6	568	28,520
Finance costs	6	(23,497)	(37,019)
Profit before tax		1,263,738	1,318,628
Income tax charge	9	(252,569)	(251,329)
Profit for the period		1,011,169	1,067,299

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

Lloyd Latchford Group Limited

(Registration number: 05988054)
Statement of Financial Position as at 31 December 2021

	Note	31 December 2021 £	31 December 2020 £
Non-current assets			
Property, plant and equipment	10	97,854	128,786
Right-of-use assets	11	128,977	214,961
		226,831	343,747
Current assets			
Cash and cash equivalents	12	4,573,221	6,180,588
Trade and other receivables	13	2,677,998	576,135
		7,251,219	6,756,723
Current liabilities			
Trade and other payables	14	(3,949,154)	(4,571,884)
Lease liabilities	11	(76,186)	(69,307)
Tax liabilities		(290,702)	(255,188)
Provisions	16	(12,122)	-
		(4,328,164)	(4,896,379)
Net current assets		2,923,055	1,860,344
Total assets less current liabilities		3,149,886	2,204,091
Non-current liabilities			
Lease liabilities	11	(40,883)	(117,068)
Provisions	16	(97,174)	(88,418)
Deferred tax liabilities	9	(22,434)	(20,379)
		(160,491)	(225,865)
Net assets		2,989,395	1,978,226
Capital and reserves			
Share capital	17	250,000	250,000
Retained earnings		2,739,395	1,728,226
Total equity		2,989,395	1,978,226

Approved by the Board on 22 September 2022 and signed on its behalf by:

....

C D Ball
Director

The notes on pages 18 to 38 form an integral part of these financial statements.

Lloyd Latchford Group Limited

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

	Share capital £	Retained earnings £	Total £
At 1 January 2021	250,000	1,728,226	1,978,226
Net profit for the year	-	1,011,169	1,011,169
At 31 December 2021	250,000	2,739,395	2,989,395

	Share capital £	Retained earnings £	Total £
At 1 October 2019	250,000	870,408	1,120,408
Transition to FRS 101	-	(16,517)	(16,517)
At 1 October 2019 (As restated)	250,000	853,891	1,103,891
Net profit for the year	-	1,067,299	1,067,299
Dividends	-	(192,964)	(192,964)
At 31 December 2020	250,000	1,728,226	1,978,226

During the prior period an interim dividend of £0.77 per share was paid.

1 General information

The Company is a private company limited by share capital, that is incorporated and registered in England, United Kingdom under the Companies Act 2006. The details of the Company's registered office address can be found on page 1. The principal activity of the Company is disclosed on page 2 within the 'Strategic Report' section.

The financial statements for the period ended 31 December 2021 were authorised for issue by the Board on 22 September 2022 and the Statement of Financial Position was signed on the board's behalf by C D Ball.

2 Accounting policies

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

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

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

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

Summary of disclosure exemptions
In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting standards as adopted by the UK (Adopted IFRS), but makes amendments where necessary in order to comply with the 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 of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;

2 Accounting policies (continued)

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

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

Judgements made by the directors in the application of these accounting policies that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are discussed in the Critical accounting judgements and key sources of estimation uncertainty disclosure on page 27.

Going concern

As shown in account note 19, the Company was a member of a group ("the Group") of which The Ardonagh Group Limited ("TAGL") was the ultimate parent company and the highest level at which results were consolidated for the year ended 31 December 2021.

The financial statements of the Company have been prepared on a going concern basis. At 31 December 2021 the Company had net assets of £3.0m (2020: £2.0m) and net current assets of £2.9m (2020: £1.9m). The net current assets include amounts receivable from related parties of £2.0m (2020: £81k), and amounts due to related parties of £53k (2020: £40k). The Company reported a profit before tax of £1.3m (2020: £1.3m).

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

- The Group's capital structure, operations and liquidity.
- Base case and stressed cash flow forecasts over the calendar years 2022 and 2023.
- The impact on the base case and stressed cashflow forecasts arising from subsequent material acquisitions.
- The principal risks facing the Group. and its systems of risk management and internal control.
- Actual trading and cashflows of the Group including those of the group of companies previously owned by TAGL.

2 Accounting policies (continued)

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

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

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

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

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

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

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

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

2 Accounting policies (continued)

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

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

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	**Depreciation method and rate**
Computer equipment	25% per annum on written down value
Fixtures and fittings	25% per annum on written down value

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

Assets that are subject to depreciation are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Any impairment charges arising from the review of the carrying value of assets are, where material, disclosed on the face of the Statement of Comprehensive Income.

Leases
The Company accounts for lease and non-lease components in a contract as a single lease component.

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

2 Accounting policies (continued)

Lease liabilities

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

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

Leases of low value assets

The Company elects on a lease-by-lease basis whether to apply the lease of low-value assets exemption to leases of office equipment that are considered to be of low value (i.e. below £5,000). Lease payments on leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Financial instruments

Recognition and initial measurement

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

Derecognition

Financial assets

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

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 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

The Company classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVTOCI); or
- Fair value through the profit or loss (FVTPL).

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on their classification.

The Company only has financial assets measured at amortised cost.

Financial assets classified as amortised cost

Financial assets that meet the following conditions are classified and subsequently measured at amortised cost:
- 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.

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

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

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

2 Accounting policies (continued)

Insurance brokers act as agents in placing the insurable risks of their clients with insurers and, as such, are not usually liable as principals for amounts arising from such transactions. In recognition of this relationship, debtors from insurance broking transactions are not, in general, included as an asset of the Company. Other than the receivable for fees and commissions earned on a transaction, no recognition of the insurance transaction does not, in general, occurs until the Company receives cash in respect of premiums or claims, at which time a corresponding liability is established in favour of the insurer or the client.

In certain circumstances, the Company advances premiums, refunds or claims to insurance underwriters or clients prior to collection. These advances are reflected in the Statement of Financial Position as part of trade receivables.

Reclassifications

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

Impairment of financial assets

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

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

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

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

2 Accounting policies (continued)

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

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

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

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

Classification and subsequent measurement of financial liabilities
All financial liabilities are measured at amortised cost using the effective interest rate method.

The Company's financial liabilities include trade and other payables. Trade payables are initially recognised at fair value and are subsequently measured at amortised cost.

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.

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

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

Where appropriate the Company discounts provisions to their present value. The unwinding of the provision discounting is included as an interest charge within finance costs in the Statement of Comprehensive Income.

Revenue

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer (net of refunds) and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a service to a customer.This revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

2 Accounting policies (continued)

Commission and fees
Revenue includes commission and fees receivable by the Company. Commission and fees relate mainly to placement or underwriting of policies on behalf of insurers or policyholders and are recognised at the later of policy inception date or when the policy placement has been completed and confirmed.

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

Employee benefits
Pension costs
The Company operates a number of defined contribution pension schemes. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity.

The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The costs of the Company's defined contribution pension schemes are charged to the income statement in the period in which they fall due.

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

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

Deferred tax
Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, deferred tax is reversed. Deferred tax assets and deferred tax liabilities are only offset if there is a legally enforceable right to set off current tax assets against current tax liabilities. Deferred tax asset and the deferred tax liability can only be offset when they relate to income taxes levied by the same taxation authority. Where deferred tax is offset on different taxable entities this is allowed when it is intending either to settle current tax assets or liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously.

The tax expense for the period comprises current and deferred tax. Income 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. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity.

2 Accounting policies (continued)

Finance income and costs policy
The Company's finance income include:
• interest income
• unwind of discount on provisions
• unwind of discount on lease liabilities

Interest income is recognised using the effective interest method for debt instruments classified as amortised cost.

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.

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 key sources of estimation uncertainty or critical accounting judgements used in preparing these financial statements that are considered to have a material impact on the reported assets and liabilities.

4 Turnover

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

	31 December 2021 £	1 October 2019 to 31 December 2020 £
Commission and fees	9,096,438	11,033,951
Salary contribution	180,000	225,000
	9,276,438	11,258,951

Turnover consists entirely of sales made in the United Kingdom.

5 Operating profit

Arrived at after charging:

	31 December 2021 £	1 October 2019 to 31 December 2020 £
Auditor's remuneration: audit of these financial statements	16,579	10,000
Depreciation expense	38,400	51,082
Depreciation on right-of-use assets	85,984	107,481

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.

6 Finance income and costs

	31 December 2021 £	1 October 2019 to 31 December 2020 £
Finance income		
Interest income on bank deposits	568	28,520
Finance costs		
Unwinding of discount payable - provisions	(8,756)	(9,863)
Unwinding of discount payable - ROU liabilitiy	(14,741)	(27,156)
	(23,497)	(37,019)
Net finance cost	(22,929)	(8,499)

Finance costs represent the unwinding of discount calculated on provisions (note 16) and the unwinding of discount on lease liabilities (note 11).

7 Staff costs

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

	31 December 2021 £	1 October 2019 to 31 December 2020 £
Wages and salaries	2,547,089	3,030,607
Social security costs	225,313	298,355
Pension costs, defined contribution scheme	84,690	109,088
Redundancy costs	35,950	-
	2,893,042	3,438,050

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

	31 December 2021 No.	1 October 2019 to 31 December 2020 No.
Operational and Administrative	94	97
Management	1	2
	95	99

8 Directors' remuneration

The directors' remuneration for the period was as follows:

	31 December 2021 £	1 October 2019 to 31 December 2020 £
Aggregate emoluments	130,416	193,985
Company contributions to money purchase pension scheme	-	-
	130,416	193,985

8 Directors' remuneration (continued)

The above emoluments also represent the information of the highest paid director for the year. During the current year the emoluments of C D Ball and I J Donaldson were paid by other Group companies, which made 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 and their proportionate amount related to Lloyd Latchford Group Limited is unreasonable to determine.

9 Income tax

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

	31 December 2021 £	1 October 2019 to 31 December 2020 £
Current taxation		
UK corporation tax	251,769	255,487
Adjustments in respect of prior periods	(1,255)	-
Total current taxation	250,514	255,487
Deferred taxation		
Origination and reversal of temporary differences	(6,030)	(4,194)
Adjustments in respect of prior periods	1,254	(2,836)
Effect of tax rate change on opening balance	6,831	2,872
Total deferred taxation	2,055	(4,158)
Tax charge in the Statement of Comprehensive Income	252,569	251,329

9 Income tax (continued)

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

	31 December 2021 £	1 October 2019 to 31 December 2020 £
Profit before tax	1,263,738	1,318,628
Corporation tax at standard rate of 19% (2020: 19%)	240,110	250,539
Adjustments to tax charge in respect of previous periods - current tax	(1,255)	-
Adjustments to tax charge in respect of previous periods - deferred tax	1,254	(2,836)
Expenses not deductible for tax purposes	48	754
Movement in deferred tax not recognised	9,247	-
Remeasurement of deferred tax for changes in tax rates	3,165	2,872
Total tax charge	252,569	251,329

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 and this is substantively enacted as of May 2021. UK deferred tax balances as at 31 December 2021 are measured at the rate that the respective assets and liabilities will reverse.

Deferred tax assets and liabilities are recognised on the balance sheet as follows:

2021	**Asset/(Liability) £**
Accelerated tax depreciation	(22,434)
Provisions	-
	(22,434)

2020	**Asset/(Liability) £**
Accelerated tax depreciation	(23,092)
Provisions	2,713
	(20,379)

9 Income tax (continued)

Deferred tax movement during the year:

	At 1 January 2021 £	Recognised in income £	At 31 December 2021 £
Accelerated tax depreciation	(23,092)	658	(22,434)
Provisions	2,713	(2,713)	-
Net tax assets/(liabilities)	(20,379)	(2,055)	(22,434)

Deferred tax movement during the prior period:

	At 1 October 2019 £	Recognised in income £	At 31 December 2020 £
Accelerated tax depreciation	(27,250)	4,158	(23,092)
Provisions	2,713	-	2,713
Net tax assets/(liabilities)	(24,537)	4,158	(20,379)

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 £
Provisions	9,247	-
Unrecognised deferred tax assets	9,247	-

10 Property, plant and equipment

	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation			
At 1 January 2021	96,309	183,148	279,457
Additions	840	6,628	7,468
At 31 December 2021	97,149	189,776	286,925
Depreciation			
At 1 January 2021	54,572	96,099	150,671
Charge for the year	12,000	26,400	38,400
At 31 December 2021	66,572	122,499	189,071
Carrying amount			
At 31 December 2021	30,577	67,277	97,854
At 31 December 2020	41,737	87,049	128,786

11 Leases

Right-of-use assets
The table below provides a schedule of the movements in the carrying amount of the right-of-use assets held on the Statement of Financial Position during the year ended 31 December 2021.

	Property £	Total £	Lease Liabilities £
At 1 January 2021	214,961	214,961	(186,375)
Depreciation charged for the year	(85,984)	(85,984)	-
Interest expense	-	-	(14,741)
Lease payments	-	-	84,047
At 31 December 2021	128,977	128,977	(117,069)
Current liabilities	-	-	(76,186)
Non-current liabilities	-	-	(40,883)
At 31 December 2021	-	-	(117,069)

11 Leases (continued)

	Property £	Total £	Lease Liabilities £
At 1 October 2019	322,442	322,442	(264,278)
Depreciation charged for the year	(107,481)	(107,481)	-
Interest expense	-	-	(27,156)
Lease payments	-	-	105,059
At 31 December 2020	214,961	214,961	(186,375)

Maturity analysis

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

	31 December 2021 £	31 December 2020 £
Within one year	(84,047)	(84,047)
In one to five years	(42,024)	(126,070)
In over five years	-	-
Total undiscounted value	(126,071)	(210,117)

The average lease term remaining is 1.5 years (2020: 2.5 years).

12 Cash and cash equivalents

	31 December 2021 £	31 December 2020 £
Own funds	1,473,405	2,348,009
Fiduciary funds	3,099,816	3,832,579
	4,573,221	6,180,588

Fiduciary funds represent client money used to pay premiums to underwriters, to settle claims to policyholders and to defray commission and other income. Fiduciary funds are not available for general corporate purposes.

13 Trade and other receivables

	31 December 2021 £	31 December 2020 £
Current trade and other receivables		
Trade receivables	214,940	214,857
Less:expected credit loss allowance	(3,000)	-
Net trade receivables	211,940	214,857
Receivables from other Group companies	2,032,434	81,821
Prepayments	34,170	215,107
Accrued income	316,533	60,000
Other receivables	82,921	4,350
	2,677,998	576,135

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

14 Trade and other payables

	31 December 2021 £	31 December 2020 £
Current trade and other payables		
Trade payables in relation to insurance transactions	3,397,090	3,832,539
Accrued expenses	307,887	479,887
Amounts due to other Group companies	53,332	39,999
Social security and other taxes	67,440	69,143
Outstanding defined contribution pension costs	12,458	-
Other payables	110,947	150,316
	3,949,154	4,571,884

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

15 Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The total cost charged to the Statement of Comprehensive Income of £84,690 (2020: £109,088) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2021, contributions of £12,458 (2020: £Nil) due in respect of the current reporting year had not been paid over to the schemes.

16 Provisions

	Litigation matters £	Dilapidations £	Total £
At 1 January 2021	-	(88,418)	(88,418)
Additional provisions made during the year	(12,122)	-	(12,122)
Unwinding of discount	-	(8,756)	(8,756)
At 31 December 2021	(12,122)	(97,174)	(109,296)
Current liabilities	(12,122)	-	(12,122)
Non-current liabilities	-	(97,174)	(97,174)

Litigation matters
In the normal course of business, the Company may receive claims in respect of alleged errors and omissions and other matters. Provisions are made in respect of such litigation matters, representing the best estimate of the liability based on legal advice where appropriate. The outcome of the currently pending and future proceedings, in relation to errors and omissions and other matters, cannot be predicted with certainty. Thus, an adverse decision in a current or future lawsuit could result in additional costs that are not covered, either wholly or partially, under insurance policies and that are in excess of the presently established provisions.

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

17 Share capital

Allotted, called up and fully paid shares

	No.	31 December 2021 £	No.	31 December 2020 £
Ordinary shares of £1 each	250,000	250,000	250,000	250,000

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

18 Related party transactions

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

19 Parent and ultimate parent undertaking

The Company's immediate parent company is Atlanta Investment Holdings D1 Limited and the ultimate parent company is Tara Topco Limited, (note 20).

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

2 Minster Court
Mincing Lane
London
EC3R 7PD

20 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.