Replacement

Registration number: 05988054

Lloyd Latchford Group Limited

Annual Report and Financial Statements

for the Period from 1 October 2019 to 31 December 2020

Lloyd Latchford Group Limited

Contents

Lloyd Latchford Group Limited

Company Information

Directors	T J Hutton
	C D Ball
	I J Donaldson
Company secretary	D Clarke
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 Period from 1 October 2019 to 31 December 2020

The directors present their strategic report for the period from 1 October 2019 to 31 December 2020 for Lloyd Latchford Group Limited ("the Company"). The Strategic Report provides a review of the business for the financial period and describes how the directors manage risks. The report outlines the performance of the Company during the financial period and its position at the end of the period. The report discusses the developments that have affected the Company and the main trends and factors that could affect its future. The Company was acquired by Atlanta Investment Holdings D1 Limited on 30 September 2020 and from this date was part of The Ardonagh Group Limited ("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 current financial period has been lengthened to 15 months resulting in the year end changing to 31 December 2020.

The results for the Company show turnover of £11.0m (2019: £6.5m) and profit before tax of £1.3m (2019: £0.8m) for the period. At 31 December 2020 the Company had net assets of £2.0m (2019: £1.1m). 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.

The Company has transitioned to Financial Reporting standard 101 ("FRS 101 Reduced Disclosure Framework") with a conversion date of 1 October 2018. As required by IFRS 1 "First-time adoption of IFRS", the Company has applied the relevant accounting policies in place on 31 December 2020 to all periods presented. The Company has taken advantage of the disclosure exemptions allowed under this standard. The Company's parent undertaking was notified of and did not object to the use of FRS 101 disclosure exemptions. A summary of the recognition and remeasurement adjustments arising on adoption of FRS 101 can be found in Note 21.

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.

The unprecedented and rapidly evolving nature of the global COVID-19 pandemic (including the short-term and long-term effects thereof) creates unprecedented and extraordinary uncertainties for most businesses including Lloyd Latchford Group Limited. Consideration of the financial risk and future impact can be found in the Strategic Report within the 'Risk management' section on page 4 and the 'Going concern' disclosure in note 2.

Key performance indicators

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

	Unit	15 months to 31/12/20	12 months to 30/9/19
Gross written premium (GWP) brokered	£m	51.5	43.7
Total income (commission and fees, and other income)	£m	11.3	6.5
Administrative expenses (salaries and associated costs, and other operating costs)	£m	6.3	4.1
Total income/GWP ratio	%	21.9	14.8
Administrative expenses/total income ratio	%	55.7	63.1

The Income/GWP ratio has increased from 14.8% in 2019 to 21.9% in 2020. Administrative expenses have increased from £4.1m in the year to 30 September 2019 to £6.3m in the 15 month period to 31 December 2020. The increase is mainly attributed to a large new contract beginning at the end of 2019, which resulted in an increase in administrative costs.

Non-financial key performance indicators include staffing levels which have increased from an average number of employees of 77 to 99 throughout the period. This is a result of a large new contract which began at the end of 2019 and had an expectation of an additional 26 staff being required.

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

The Company has demonstrated its resilience from an economic shock and demonstrated operational and financial resilience in response to the Covid-19 pandemic. Management does not expect increased global political tensions (including related to the Ukrainian conflict, which we are monitoring and will respond to appropriately) nor any potential lingering impacts of Covid-19 following lockdown restrictions being removed in the UK to have a significant effect on the Group.

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 £767.1m at 31 December 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.

Operational risk

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

Regulatory and legal risk

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 financial statement of The Ardonagh Group Limited) and closely monitors changes to the regulatory environment.

Underwriting capacity risk

A withdrawal by insurance companies of underwriting capacity or products in circumstances where no replacement underwriting capacity or products can be procured, or an excessive increase in the rates charged by an insurance company would be a big risk to our business performance. Our Salary Sacrifice and Paid for Driveaway schemes are our two most profitable schemes and are both underwritten by Aviva Insurance, so any change in insurer attitude to the schemes would have a significant impact on performance. The company works alongside a number of vehicle manufacturers, who ultimately own the contract and the customers. Therefore any decision from a manufacturing partner to exit the agreement at contract renewal would be a significant risk to the business.

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

The 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.

Volatility in premiums and insurance market cycle
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.

Future impact of 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 25 March 2022 and signed on its behalf by:

....
C D Ball
Director

Lloyd Latchford Group Limited

Directors' Report for the Period from 1 October 2019 to 31 December 2020

The directors present their report and the audited financial statements for the period from 1 October 2019 to 31 December 2020.

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

T J Hutton

C D Ball (appointed 30 September 2020)

I J Donaldson

Dividends
An interim dividend of £192,964 (2019: £210,672) was approved by the directors prior to the company being acquired by The Ardonagh Group Limited. The directors do not recommend a final dividend payment to be made in respect of the financial period ended 31 December 2020 (2019: £Nil).

Financial risk management objectives and policies
Details of financial risk management objectives and policies can be found in the Strategic Report within the 'Principal risks and uncertainties' section on page 3.

Future developments
Details of future developments can be found in the Strategic Report within the 'Outlook' section on page 3.

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

Subsequent events
Details of subsequent events can be found in the Notes to the financial statements within the 'Subsequent events' section on page 40.

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

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

Going concern

The Company's business activities, together with the factors likely to affect its future development are described in the Strategic Report on page 2. 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 25 March 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 period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework".

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has 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 to disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the members of 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 2020 and of its profit for the period 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 22.

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.

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 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 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 including relevant internal specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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

• The risk that revenue was not recognised in the correct accounting period: We tested a sample of the revenue recognised in the period to 31 December 2020 and January 2021 and agreed back to supporting third party documentation 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 and external 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 correspondence with the Financial Conduct Authority.

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 period 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.

Lloyd Latchford Group Limited

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.

Other matter

As the company was exempt from audit under section 476 of the Companies Act 2006 in the prior period, the corresponding amounts for that period are unaudited.

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.

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

25 March 2022

Lloyd Latchford Group Limited

Statement of Comprehensive Income for the Period from 1 October 2019 to 31 December 2020

	Note	1 October 2019 to 31 December 2020 £	As restated Unaudited 1 October 2018 to 30 September 2019 £
Commission and fees	4	11,033,951	6,500,895
Cost of sales		(3,771,839)	(1,564,855)
Gross profit		7,262,112	4,936,040
Administrative expenses		(2,563,372)	(1,984,888)
Salaries and associated costs	7	(3,438,050)	(2,070,389)
Depreciation amortisation and impairment of non-financial assets		(158,563)	(95,775)
Other operating income	4	225,000	1,000
Operating profit	5	1,327,127	785,988
Interest receivable and similar income	6	28,520	32,411
Interest payable and similar expenses		(37,019)	(19,781)
Profit before tax		1,318,628	798,618
Tax expense	9	(251,329)	(152,976)
Profit for the period		1,067,299	645,642

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 2020

	Note	31 December 2020 £	As restated Unaudited 30 September 2019 £
Non-current assets			
Property, plant and equipment	10	128,786	143,613
Right-of-use assets	11	214,961	322,442
		343,747	466,055
Current assets			
Cash and cash equivalents	12	6,180,588	5,807,148
Trade and other receivables	13	576,135	510,176
		6,756,723	6,317,324
Current liabilities			
Trade and other payables	14	(4,571,884)	(5,157,045)
Lease liabilities	11	(69,307)	(61,576)
Tax liabilities		(255,188)	(155,073)
		(4,896,379)	(5,373,694)
Net current assets		1,860,344	943,630
Total assets less current liabilities		2,204,091	1,409,685
Non-current liabilities			
Lease liabilities	11	(117,068)	(202,702)
Provisions	16	(88,418)	(78,555)
Deferred tax liabilities	9	(20,379)	(24,537)
		(225,865)	(305,794)
Net assets		1,978,226	1,103,891
Capital and reserves			
Share capital	17	250,000	250,000
Retained earnings		1,728,226	853,891
Total equity		1,978,226	1,103,891

Approved by the Board on 25 March 2022 and signed on its behalf by:

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C D Ball
Director

The notes on pages 17 to 44 form an integral part of these financial statements.

Lloyd Latchford Group Limited

Statement of Changes in Equity for the Period from 1 October 2019 to 31 December 2020

	Share capital £	Retained earnings £	Total £
At 1 October 2019	250,000	870,408	1,120,408
Transition to FRS 101 (Note 20)	-	(16,517)	(16,517)
At 1 October 2019 (As restated)	250,000	853,891	1,103,891
Net profit for the period	-	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 period an interim dividend of £0.77 per share (2019: £0.84) was paid.

	Share capital £	As restated Retained earnings £	Total £
At 1 October 2018	250,000	418,921	668,921
Net profit for the period	-	645,642	645,642
Dividends	-	(210,672)	(210,672)
At 30 September 2019	250,000	853,891	1,103,891

Comparative values for the year ended 30 September 2019 have been restated as a result of these financial statement for the period ended 31 December 2020 being prepared in accordance with FRS 101. For all periods up to and including the year ended 30 September 2019 the Company prepared its financial statements in accordance with Financial Reporting Standard 102 ('FRS 102').

1 General information

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

The financial statements for the period ended 31 December 2020 were authorised for issue by the Board on 22 March 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 2020 or not yet effective and that are expected to materially impact the Company's financial statements.

First time adoption of FRS 101
These financial statements for the year ended 31 December 2020 are the first the Company has prepared in accordance with FRS 101. For all periods up to and including the year ended 30 September 2019, the Company prepared its financial statements in accordance with Financial Reporting Standard 102 ('FRS 102').

Accordingly, the Company has prepared financial statements that comply with FRS 101 applicable as at 31 December 2020, together with the comparative period data for the year ended 30 September 2019.

The Company has applied the accounting policies effective at the end of the first reporting period for all periods presented, as required by IFRS 1 First-time adoption of IFRSs. Details on the adjustments resulting from application of these accounting policies compared to FRS 102 can be found in note 21.

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 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;
- 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 29.

2 Accounting policies (continued)

Going concern

As shown in account note 19, the Company is a member of a group ("the Group") of which The Ardonagh Group Limited ("TAGL") is the ultimate parent company and the highest level at which results are consolidated.

The financial statements of the Company have been prepared on a going concern basis. At 31 December 2020 the Company had net assets of £2.0m (2019: £1.1m) and net current assets of £1.9m (2019: £0.9m). The net current assets include amounts receivable from related parties of £81k (2019: £0.1m), and amounts due to related parties of £40k (2019: £Nil). The Company reported a profit before tax £1.3m (2019: £0.8m).

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

- The Group's capital structure, operations and liquidity following the 14 July 2020 issuance of new borrowings; £343.0m received for the 350,000 preference shares issued on 19 August 2021; and the additional 3 September 2021 Capex, Acquisition and Re-organisation facility (CAR upsize) of circa £565.0m agreed with the lenders of the Group's privately placed term loan facility due 2026 (see Business Review: Liquidity and Capital Resources), of which £164.3m remains undrawn at the date of this report. These are reflected in the adjusted base case and stressed cash flow forecasts over the calendar years 2022 and 2023.
- 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 global political tensions (including related to the Ukrainian conflict) and potential residual financial impacts of Covid-19 following lockdown restrictions being removed in the UK, and its systems of risk management and internal control.
- Actual trading and cashflows that arose in the two months ended February 2022, with continued positive financial results.

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

- Following the 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 is not drawn at the date of this report, and (b) payment-in-kind interest options are utilised.
- 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 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 some reduction in employee headcount and remuneration.

2 Accounting policies (continued)

The Directors have also modelled reverse stress scenarios, including assessing those that result in a default on our 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 consequences and ramifications of global political tensions (including related to the Ukrainian conflict) and residual impacts from 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 our 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.

Following the assessment of the 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, 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 businesses of the Group's ability to continue as a going concern.

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**
Short leasehold	Over the remaining life of the lease
Computer equipment	25% per annum on written down value
Office equipment	15% 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.

2 Accounting policies (continued)

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.

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.

2 Accounting policies (continued)

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.

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.

2 Accounting policies (continued)

Financial assets classified as amortised cost

Financial assets that meet the following conditions are classified and subsequently measured at amortised cost:
- the 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 (except for certain other receivables measured at FVTPL, see below), cash and cash equivalents and other financial assets.

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

Insurance brokers act as agents in placing the insurable risks of their clients with insurers and, as such, are not usually liable as 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.

2 Accounting policies (continued)

Impairment of financial assets

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

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

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

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

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

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

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

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

2 Accounting policies (continued)

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

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

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

Credit-impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:
• significant financial difficulty of the counterparty;
• a breach of contract, such as a default or past due event;
• the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession that the lender(s) would not otherwise consider;
• it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
• the disappearance of an active market for that financial asset because of the financial difficulties.

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

Financial liabilities are classified and measured at FVTPL when 1) the financial liability is contingent consideration relating to a business combination to which IFRS 3 applies, or 2) it is a derivative.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities. 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.

2 Accounting policies (continued)

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.

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.

Post-placement performance obligations

The Company may also have post-placement obligations in contracts with customers, which mainly consist of claims handling services associated with the claims life cycle, for example first notification, claims investigation, decision and settlement, supply chain management, fraud investigation, field/loss adjusting services and management information, but which may also include other performance obligations such as the provision of mid-term adjustments.

To the extent that commission and fees received (or receivable) relate to both placement and post-placement performance obligations, a suitable proportion of income related to post-placement obligations is deferred based on the estimated standalone selling prices of the performance obligations in the contract and is presented as a contract liability. Revenue for post-placement obligations is recognised over the period of providing the services.

2 Accounting policies (continued)

Variable consideration

The Company is a party to the following material arrangements where the consideration receivable by the Company is variable:

- Some contracts with customers include cancellation rights, whereby the consideration receivable by the Company is subject to a clawback. Some policies placed by the Company are rolling until the customer cancels the policy. If no claims are made under the policy, then cancellations usually entitle the policyholder to a proportional refund of the consideration.

  When the effect is material, the Company adjusts the estimated consideration for the expected clawback based on historical experience of average cancellations and recognises revenue only on the amount that is not expected to be refunded. The Company reassess at the end of the reporting period whether the estimated clawback needs to be revisited. Amounts that are expected to be refunded for consideration that has been received or invoiced are recognised in trade and other payables. Revenue recognised on rolling contracts (based on the expected consideration net of cancellations) is presented in contract assets until the consideration is invoiced.

Contract costs

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

- Costs to fulfil - salary and other costs of customer-facing employees who undertake activities necessary to satisfy anticipated contracts with the customer. The Company estimates the proportion of costs that are eligible to be capitalised based on the time spent by customer-facing employees on relevant inception/renewal activities. Capitalised costs are released to profit or loss on inception or renewal of the contract with the customer, which normally takes place within 1-3 months of the reporting year.
- Costs to obtain - incremental fees paid to distributors (usually aggregator websites) for obtaining new business. These costs are amortised, on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates, over the average life of the relationship with the customer.

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

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

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.

2 Accounting policies (continued)

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.

Finance income and costs policy

The Company's finance income include:

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

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

Interest earned on assets mandatorily required to be measured at FVTPL is recorded using the contractual interest rate.

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 were no key sources of estimation uncertainty that have had a significant impact on the carrying amounts of assets and liabilities in the financial period.

The assumptions that have a significant effect on the carrying amounts of assets are discussed below.

Critical judgements in applying accounting policies

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

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

The Company used an average discount rate of 9.5%, which was determined by reference to the interest rate on the Group's CAR facility.

Deferred tax assets
Significant judgement is required in determining the asset recognised in respect of deferred tax. A deferred tax asset is recognised for temporary timing differences, but management's best estimate is used to determine the extent to which it is probable that taxable profit will be available in the future against which the temporary differences can be utilised, and to determine the amount of this taxable profit. Deferred tax assets are measured in accordance with the tax rates and laws that have been enacted or substantively enacted by the end of the reporting year.

4 Turnover

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

	1 October 2019 to 31 December 2020 £	Unaudited 1 October 2018 to 30 September 2019 £
Commission and fees	11,033,951	6,500,895
Other income	225,000	1,000
	11,258,951	6,501,895

Turnover consists entirely of sales made in the United Kingdom.

5 Operating profit

Arrived at after charging:

	1 October 2019 to 31 December 2020 £	Unaudited 1 October 2018 to 30 September 2019 £
Auditor's remuneration: audit of these financial statements	10,000	-
Depreciation expense	51,082	46,794
Depreciation on right-of-use assets	107,481	48,981

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

6 Finance income and costs

	1 October 2019 to 31 December 2020 £	As restated Unaudited 1 October 2018 to 30 September 2019 £
Finance income		
Interest income on bank deposits	28,520	32,411
Finance costs		
Unwinding of discount payable - provisions	(9,863)	(4,145)
Unwinding of discount payable - ROU liabilitiy	(27,156)	(15,636)
	(37,019)	(19,781)
Net finance (cost)/ income	(8,499)	12,630

Finance costs represent the unwinding of discount calculated on provisions (note 16) and the unwinding of discount on financial liabilities following the adoption of IFRS 16 (note 11).

7 Staff costs

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

	1 October 2019 to 31 December 2020 £	Unaudited 1 October 2018 to 30 September 2019 £
Wages and salaries	3,030,607	1,822,034
Social security costs	298,355	167,206
Pension costs, defined contribution scheme	109,088	81,149
	3,438,050	2,070,389

7 Staff costs (continued)

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

	1 October 2019 to 31 December 2020 No.	Unaudited 1 October 2018 to 30 September 2019 No.
Operational and Administrative	97	75
Management	2	2
	99	77

8 Directors' remuneration

The directors' remuneration for the period was as follows:

	1 October 2019 to 31 December 2020 £	Unaudited 1 October 2018 to 30 September 2019 £
Aggregate emoluments	193,985	45,000
Company contributions to money purchase pension scheme	-	-
	193,985	45,000

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

9 Income tax

Tax charged in the Statement of Comprehensive Income

	1 October 2019 to 31 December 2020 £	Unaudited 1 October 2018 to 30 September 2019 £
Current taxation		
UK corporation tax	255,487	151,075
UK corporation tax adjustment to prior periods	-	-
Total current taxation	255,487	151,075
Deferred taxation		
Arising from origination and reversal of temporary differences	(4,194)	1,901
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(2,836)	-
Arising from changes in tax rates and laws	2,872	-
Total deferred taxation	(4,158)	1,901
Tax charge in the Statement of Comprehensive Income	251,329	152,976

The differences are reconciled below:

	1 October 2019 to 31 December 2020 £	Unaudited 1 October 2018 to 30 September 2019 £
Profit before tax	1,318,628	798,618
Corporation tax at standard rate of 19% (2019: 19%)	250,539	151,737
Expenses not deductible for tax purposes	754	1,239
Remeasurement of deferred tax for changes in tax rates	2,872	-
Adjustments to tax charge in respect of previous periods - deferred tax	(2,836)	-
Total tax charge	251,329	152,976

9 Income tax (continued)

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

Deferred tax

Deferred tax liabilities

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

2019	**Asset/(Liability) £**
Accelerated tax depreciation	(27,250)
Other items	2,713
	(24,537)

Other items comprise the deferred tax asset on first-time adoption of IFRS 16.

9 Income tax (continued)

Deferred tax movement during the period:

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

Deferred tax movement during the prior year:

	At 1 October 2018 £	Recognised in income £	At 30 September 2019 £
Accelerated tax depreciation	(22,636)	(4,614)	(27,250)
Other items	-	2,713	2,713
Net tax assets/(liabilities)	(22,636)	(1,901)	(24,537)

In the March 2021 Budget, it was announced that the UK Corporation Tax Rate will rise from its current rate of 19% to 25% with effect from April 2023. UK deferred tax balances as at 31 December 2020 continue to be measured at a rate of 19% as this was the substantively enacted rate at that date.

10 Property, plant and equipment

	Computer equipment £	Office equipment £	Total £
Cost or valuation			
At 1 October 2019	162,304	80,898	243,202
Additions	20,844	15,411	36,255
At 31 December 2020	183,148	96,309	279,457
Depreciation			
At 1 October 2019	60,392	39,197	99,589
Charge for the period	35,707	15,375	51,082
At 31 December 2020	96,099	54,572	150,671
Carrying amount			
At 31 December 2020	87,049	41,737	128,786
At 30 September 2019	101,912	41,701	143,613

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 2020.

	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)

11 Leases (continued)

	Property £	Total £	Lease Liabilities £
At 1 October 2018 (On transition to FRS 101)	247,363	247,363	(199,725)
Additions	124,060	124,060	(97,287)
Depreciation charged for the year	(48,981)	(48,981)	-
Interest expense	-	-	(15,636)
Lease payments	-	-	48,370
At 30 September 2019	322,442	322,442	(264,278)

Maturity analysis

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

	31 December 2020 £	Unaudited 30 September 2019 £
Within one year	(84,047)	(84,047)
In one to five years	(126,070)	(231,129)
In over five years	-	-
Total undiscounted value	(210,117)	(315,176)

12 Cash at bank and in hand

	31 December 2020 £	Unaudited 30 September 2019 £
Own funds	2,348,009	871,261
Fiduciary funds	3,832,579	4,935,887
	6,180,588	5,807,148

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 2020 £	As restated Unaudited 30 September 2019 £
Current trade and other receivables		
Trade receivables	214,857	198,097
Receivables from other Group companies	81,821	100,500
Prepayments	215,107	208,979
Accrued income	60,000	-
Other receivables	4,350	2,600
	576,135	510,176

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 2020 £	As restated Unaudited 30 September 2019 £
Current trade and other payables		
Trade payables in relation to insurance transactions	3,832,539	4,435,445
Accrued expenses	479,887	646,378
Amounts due to other Group companies	39,999	-
Social security and other taxes	69,143	63,918
Other payables	150,316	11,304
	4,571,884	5,157,045

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 £109,088 (2019: £81,149) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2020, contributions of £Nil (2019: £Nil) due in respect of the current reporting year had not been paid over to the schemes.

16 Provisions

	Dilapidations £	Total £
At 1 October 2019 (As restated)	(78,555)	(78,555)
Unwinding of discount	(9,863)	(9,863)
At 31 December 2020	(88,418)	(88,418)
Current liabilities	-	-
Non-current liabilities	(88,418)	(88,418)

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

	31 December 2020 No.	31 December 2020 £	Unaudited 30 September 2019 No.	Unaudited 30 September 2019 £
Ordinary shares of £1 each	250,000	250,000	250,000	250,000

There are 250,000 authorised Ordinary shares of £1 each.

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 Group's majority shareholder and ultimate controlling party at 31 December 2020 is HPS Investment Partners LLC. The immediate parent company is Atlanta Investment Holdings D1 Limited. The ultimate parent company and 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

20 Subsequent events

The Company performed a review of events subsequent to the statement of financial position date through to the date of the financial statements were issued and determined that there were no such events requiring recognition or disclosure in the financial statements.

21 Prior year adjustment

A prior year adjustment has been made to reflect the derecognition of insurer creditor payments, which arose as a result of a system error and the recognition of insurance debtors previously netted off insurance creditors. This has resulted in an increase to cash and cash equivalents of £1.6m, an increase in insurance debtors of £0.2m and an increase in insurance creditors of £1.9m.

22 Transition to FRS 101

These financial statements for the period ended 31 December 2020 are the first the Company has prepared in accordance with FRS 101. For all periods up to and including the year ended 30 September 2019, the Company prepared its financial statements in accordance with Financial Reporting Standard 102 ('FRS 102').

Accordingly, the Company has prepared financial statements that comply with FRS 101 applicable as at 31 December 2020, together with the comparative period data for the year ended 30 September 2019, as described in the summary of significant accounting policies. This note explains the principal adjustments made by the Group in restating its FRS 102 financial statements, including its net asset position as at 1 October 2018 and the financial statements as of, and for, the year ended 30 September 2019.

Leases
The Company has recognised lease liabilities at the date of transition based on the present value of the remaining lease payments discounted using the company's incremental borrowing rate at the date of transition. A right-of-use asset for each lease has been recognised an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease that were recognised in the statement of financial position immediately prior to 1 October 2018.

Financial instruments
Additional provision for expected credit losses have been assessed in respect of trade receivables at the date of transition based on a lifetime expected losses approach. It has been determined that there is no impact at the date of transition.

Revenue recognition
The Company has applied the revenue recognition polices under IFRS 15 on a retrospective basis and determined that there is no impact to revenue and contract balances at the date of transition.

22 Transition to FRS 101 (continued)

Statement of Financial Position at 1 October 2018

	As originally reported £	Remeasurement £	As restated £
Non-current assets			
Property, plant and equipment	122,894	-	122,894
Right-of-use assets	-	247,363	247,363
	122,894	247,363	370,257
Current assets			
Trade and other receivables	172,622	-	172,622
Cash and cash equivalents	1,754,235	-	1,754,235
	1,926,857	-	1,926,857
Current liabilities	(1,358,194)	(199,725)	(1,557,919)
Net current assets/(liabilities)	568,663	(199,725)	368,938
Total assets less current liabilities	691,557	47,638	739,195
Non-current liabilities			
Provisions for liabilities	(22,636)	(47,638)	(70,274)
Net assets	668,921	-	668,921
Capital and reserves			
Share capital	250,000	-	250,000
Retained earnings	418,921	-	418,921
Total equity	668,921	-	668,921

Adjustments shown in the above table during the transition from UK GAAP to FRS 101 consist of remeasurements relating to the adoption of IFRS 16.

22 Transition to FRS 101 (continued)

Statement of Financial Position at 30 September 2019

	As originally reported £	Reclassification £	Remeasurement £	As restated £
Non-current assets				
Property, plant and equipment	143,613	-	-	143,613
Right-of-use assets	-	-	322,442	322,442
	143,613	-	322,442	466,055
Current assets				
Trade and other receivables	309,079	201,097	-	510,176
Cash and cash equivalents	4,037,930	1,769,218	-	5,807,148
	4,347,009	1,970,315	-	6,317,324
Current liabilities	(3,342,964)	(1,970,315)	(60,415)	(5,373,694)
Net current assets	1,004,045	-	(60,415)	943,630
Total assets less current liabilities	1,147,658	-	262,027	1,409,685
Non-current liabilities				
Lease liabilities	-	-	(202,702)	(202,702)
Provisions for liabilities	(27,250)	-	(75,842)	(103,092)
Net assets	1,120,408	-	(16,517)	1,103,891
Capital and reserves				
Share capital	250,000	-	-	250,000
Retained earnings	870,408	-	(16,517)	853,891
Total equity	1,120,408	-	(16,517)	1,103,891

Adjustments shown in the above table during the transition from UK GAAP to FRS 101 consist of remeasurements relating to the adoption of IFRS 16.

Reclassification have also been to reflect the derecognition of insurer creditor payments, which arose as a result of a system error and the recognition of insurance debtors previously netted off insurance creditors.

22 Transition to FRS 101 (continued)

Statement of Comprehensive Income for the year ended 30 September 2019

	As originally reported £	Remeasurement £	As restated £
Turnover	4,936,040	1,564,855	6,500,895
Cost of sales	-	(1,564,855)	(1,564,855)
Gross profit/(loss)	4,936,040	-	4,936,040
Administrative expenses	(4,150,442)	(610)	(4,151,052)
Other income	1,000	-	1,000
Operating profit	786,598	(610)	785,988
Finance income	32,411	-	32,411
Finance costs	-	(19,781)	(19,781)
	32,411	(19,781)	12,630
Profit before tax	819,009	(20,391)	798,618
Tax on profit on ordinary activities	(156,850)	3,874	(152,976)
Profit for the financial year	662,159	(16,517)	645,642

Adjustments shown in the above table during the transition from UK GAAP to FRS 101 consist of remeasurements relating to the adoption of IFRS 16.