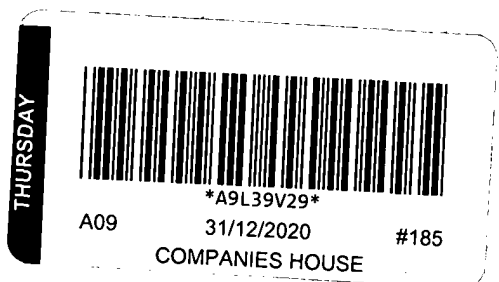


Registration number: 06144421

# Oyster Risk Solutions Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019



# **Oyster Risk Solutions Limited**

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## **Oyster Risk Solutions Limited**

### **Company Information**

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

# **Oyster Risk Solutions Limited**

## **Strategic Report for the Year Ended 31 December 2019**

The directors present their Strategic Report for the year ended 31 December 2019 for Oyster Risk Solutions Limited ("the Company"). The Strategic Report provides a review of the business for the financial year and describes how the directors manage risks. The report outlines the developments and performance of the Company during the financial year, the position at the end of the year and discusses the main trends and factors that could affect the future. The Company is part of The Ardonagh Group Limited ("the Group").

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

The principal activity of the Company is the provision of insurance intermediary services.

The results for the Company show turnover of £3,391,395 (2018: £3,137,917) and profit before tax of £913,271 (2018: £765,160) for the year. At 31 December 2019 the Company had net liabilities of £2,095,344 (2018: £2,830,428). To ensure the Company continues trading Ardonagh Midco 3 Plc, an indirect parent company, has indicated that it is its current intention that, for at least twelve months from the date of approval of these financial statements, it will continue to make available sufficient funds as needed by the Company. The going concern note (part of accounting policies) on page 17 sets out the reasons why the directors continue to believe that the preparation of the financial statements on the going concern basis is appropriate.

### **Business strategy and objectives**

The Company continues to emphasise the fundamental importance of putting customers first. The Company has developed policies and processes with the aim of treating every customer fairly and consistently. This includes endeavouring to provide them with the best products, advice and service, which can build loyalty and advocacy, which in turn will strengthen reputation and support profits. Serving customers well involves dealing with complaints promptly and effectively, having high standards around underwriting and pricing, and taking a customer-focused approach to sales and marketing. The development of a strong customer base assists in developing income growth which is another objective of the business. The Company aims to both increase retention rates and attract new customers.

The Company also aspires to create a high performance culture, creating excellent customer service through highly engaged employees. The Company aims to attract, develop and promote the best talent and to create a supportive environment in which every employee continuously learns and develops. The Company's culture and competitive remuneration packages enable it to attract and retain key staff. This will also be achieved by creating a shared understanding of the Company's strategic goals and objectives, building the capability of managers and leaders to manage performance and by every employee having the knowledge, skill and capability to perform their role.

### **Outlook**

The directors do not expect there to be any changes in the nature of the business in 2020.

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 business including Oyster Risk Solutions Limited. Consideration of the financial risk and future impact can be found in the Strategic Report within the 'Risk management' section and the 'Going concern' disclosure in note 2.

## Oyster Risk Solutions Limited

### Strategic Report for the Year Ended 31 December 2019

#### Principal risks and uncertainties

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

	Unit	2019	2018
Gross written premium (GWP)	£m	10.8	10.0
Total income (commission and fees and other income)	£m	3.4	3.1
Administration expenses	£m	2.5	2.3
Total income/GWP ratio	%	31.5	31.0
Administrative expenses/total income ratio	%	73.5	74.2

The Total income/GWP ratio has increased slightly from 31.0% in 2018 to 31.5% in 2019. This is due to an increase in commission rates with the carriers. Administrative expenses have increased from £2.3m in 2018 to £2.5m in 2019. This is mainly due to an increase in staff costs.

Non-financial key performance indicators include staffing levels which have increased by 7.7% throughout the year. 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.

#### Risk management

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

The principal risks and their mitigation are as follows:

#### *Strategic and commercial risk*

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

## Oyster Risk Solutions Limited

### Strategic Report for the Year Ended 31 December 2019

#### *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. The Board has developed a strategy that is heavily focused on the achievement of long-term sustainable growth including a diversified business portfolio and the Board believes that this is the most effective way of mitigating the risk of general decline in economic conditions.

#### *Impact of Covid-19*

The Company and Group have considered the consequences and ramifications of the Covid-19 pandemic. Business Continuity Plans are in place across each of the Group's operating segments, with measures to manage employee absences, access to the wider network of all offices, the efficiency and stability of the Group's infrastructure and the ability for 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 taking common-sense precautions with a view to ensuring the wellbeing of colleagues. We continue to review this approach on a daily basis in line with latest global developments and government guidance. 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.

The Group has sufficient liquidity to withstand a period of potential poor trading resulting from a sustained impact of Covid-19 and closely monitors available liquidity on an ongoing basis.

#### *Operational risk*

There is the risk of losses arising from inadequate or failed internal processes or systems, from personnel and/or from external events. The Company is committed to undertaking a series of activities that are linked to the Group's transformation strategy. These activities are targeted at driving operational effectiveness, cost synergies, and better management of operational risks and have involved substantial investment in systems and technology. In addition, the Company continues to follow the Group's stated strategy of continued development in our people and corporate culture.

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

#### *Regulatory and legal risk*

This is the risk of regulatory sanctions, material financial loss or loss to reputation suffered as a result of non compliance with laws, regulations and applicable administrative provisions. This risk is mitigated by a proactive relationship with the Financial Conduct Authority, a dedicated compliance function, and a compliance monitoring programme. Furthermore, there is a control framework that has been rolled out and embedded within the culture throughout the Company to reduce the risk of errors and non compliance.

#### *General Data Protection Regulation*

The Company's computer systems store information about our customers, some of which is sensitive personal data. Database privacy, identity theft and computer & internet related issues are matters of growing public concern and are subject to changes in rules and regulations. Our failure to adhere to or successfully implement processes in response to changing regulatory requirements in this area could result in legal liability or harm to our reputation. Although the Company has taken reasonable and appropriate security measures to prevent unauthorised access to information stored in our database and to ensure that our processing of personal data complies with the relevant data protection regulations, our technology may fail to adequately secure the private information we maintain in our databases and protect it from theft or inadvertent loss.

## Oyster Risk Solutions Limited

### Strategic Report for the Year Ended 31 December 2019

#### *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. The Company derives most of its revenue from commissions and fees for underwriting and broking services. Its 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 material adverse effect on the results of operations and the Company's financial condition. This risk is mitigated by ensuring that the Company has a range of products and by diversifying its portfolio. This should reduce the effect of a cycle on one specific class of business.


On a longer term 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 Company.

#### *Future impact of Brexit*

The Brexit decision may affect the ability of businesses to passport from the UK into other EU states and likewise into the UK from the EU. Following the 2019 general election, the Prime Minister has been clear that he is driven to deliver Brexit with a transition period ending on 31 December 2020. We continue to believe that the direct impact on the Group will not be significant because it conducts only limited business within the EU and, importantly, because several additional mitigation strategies have been put in place during 2019 (i.e. gaining direct authorisation in certain EU member states) to reduce the risk. However, the loss of passporting rights may affect the insurance markets in which the Group operates, possibly reducing insurance capacity, competition and choice.

Brexit could also lead to a general decline in economic conditions in the UK where the Group operates predominantly. The diversified business portfolio of the Group continues to mitigate the risk of a general decline in economic conditions.

Approved by the Board on 29 Dec 2020 and signed on its behalf by:



D Cougill  
Director

## **Oyster Risk Solutions Limited**

### **Directors' Report for the Year Ended 31 December 2019**

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

#### **Directors' of the company**

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

K R Donaldson

A Erotocritou (resigned 1 August 2019)

D Cougill (appointed 1 August 2019)

#### **Dividends**

The directors do not recommend a final dividend payment to be made in respect of the financial year ended 31 December 2019 (2018: £Nil).

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

Details of financial risk management objectives and policies can be found in the Strategic Report within the 'Risk Management' section on page 3.

#### **Future developments**

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

#### **Political donations**

The Company has not made any political donations during the year (2018: £Nil).

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

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

#### **Employee involvement**

Employees are key to the Company's success, so an appropriate remuneration package is offered which rewards an individual's performance and contribution to the organisation. The Company is also keen to encourage an individual's personal development to ensure that they have the skills required to undertake their role. The Company places considerable value on the involvement of its employees and continues to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company and the Group as a whole. This is achieved by formal and informal meetings, circulation of the Group weekly communications email and Group news posted on 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 12 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.

As further described in the subsequent events note, on 14 July 2020, the Group issued new borrowings, which it used to repay its existing borrowings and to fund acquisitions. The Directors' going concern assessment takes into account these new financing arrangements and latest forecasts for the enlarged group.

## **Oyster Risk Solutions Limited**

### **Directors' Report for the Year Ended 31 December 2019**

#### **Subsequent events**

Details of subsequent events can be found in the notes to the financial statements within the 'Subsequent events' note on page 33.

#### **Directors' liabilities**

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

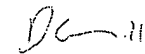
#### **Disclosure of information to the auditor**

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 29 Dec 2020 and signed on its behalf by:



.....  
D Cougill  
Director

## **Oyster Risk Solutions Limited**

### **Directors' Responsibilities Statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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.

## **Oyster Risk Solutions Limited**

### **Independent Auditor's Report to the Members of Oyster Risk Solutions Limited**

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

##### **Opinion**

In our opinion the financial statements of Oyster Risk Solutions Limited ("the Company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework" ; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 19.

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

##### **Basis for opinion**

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

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

##### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

## **Oyster Risk Solutions Limited**

### **Independent Auditor's Report to the Members of Oyster Risk Solutions Limited**

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

#### **Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

#### **Report on other legal and regulatory requirements**

##### **Opinions on other matters 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 the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

## **Oyster Risk Solutions Limited**

### **Independent Auditor's Report to the Members of Oyster Risk Solutions Limited**

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

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

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

We have nothing to report in respect of these matters.

#### **Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



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

Date: 29 December 2020

## Oyster Risk Solutions Limited

### Statement of Comprehensive Income for the Year Ended 31 December 2019

	Note	2019 £	2018 £
<b>Commission and fees</b>	4	3,391,395	3,137,917
Salaries and associated costs	7	(2,085,383)	(1,961,150)
Administrative expenses		(393,600)	(369,614)
Impairment of financial assets		<u>529</u>	<u>(41,993)</u>
<b>Operating profit</b>	5	912,941	765,160
Finance income	6	<u>330</u>	<u>-</u>
<b>Profit before tax</b>		913,271	765,160
Income tax (expense)/credit	9	<u>(178,186)</u>	<u>(145,746)</u>
<b>Net profit for the year</b>		<u><u>735,085</u></u>	<u><u>619,414</u></u>

The above results were derived from continuing operations.

The notes on pages 15 to 33 form an integral part of these financial statements.

# Oyster Risk Solutions Limited

(Registration number: 06144421)

## Statement of Financial Position as at 31 December 2019

	Note	2019 £	2018 £
<b>Non-current assets</b>			
Property, plant and equipment	10	60	1,045
Intangible assets	11	2,180,014	2,180,014
Deferred tax assets	9	7,564	11,724
		<u>2,187,638</u>	<u>2,192,783</u>
<b>Current assets</b>			
Trade and other receivables	12	15,533,062	2,652,117
Income tax asset	9	2,991	-
Cash and cash equivalents	13	1,263,448	1,138,288
		<u>16,799,501</u>	<u>3,790,405</u>
<b>Current liabilities</b>			
Trade and other payables	14	21,081,983	8,662,382
Income tax liability		-	151,234
Provisions		499	-
		<u>21,082,482</u>	<u>8,813,616</u>
<b>Net current liabilities</b>		<u>(4,282,981)</u>	<u>(5,023,211)</u>
<b>Net liabilities</b>		<u>(2,095,343)</u>	<u>(2,830,428)</u>
<b>Capital and reserves</b>			
Called up share capital	16	240,000	240,000
Retained losses		<u>(2,335,343)</u>	<u>(3,070,428)</u>
<b>Total equity</b>		<u>(2,095,343)</u>	<u>(2,830,428)</u>

Approved by the Board on ~~29 Dec 2020~~ and signed on its behalf by:



.....  
D Cougill  
Director

The notes on pages 15 to 33 form an integral part of these financial statements.

## Oyster Risk Solutions Limited

### Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £	Retained losses £	Total £
At 1 January 2019	240,000	(3,070,428)	(2,830,428)
Net profit for the year	<u>-</u>	<u>735,085</u>	<u>735,085</u>
At 31 December 2019	<u>240,000</u>	<u>(2,335,343)</u>	<u>(2,095,343)</u>

	Share capital £	Retained losses £	Total £
At 1 January 2018	240,000	(3,721,860)	(3,481,860)
Change in accounting policy	-	32,018	32,018
Net profit for the year	<u>-</u>	<u>619,414</u>	<u>619,414</u>
At 31 December 2018	<u>240,000</u>	<u>(3,070,428)</u>	<u>(2,830,428)</u>

The £32,018 credit (net of £7,878 tax debit to equity) adjustment to opening retained losses is a result of the adoption of IFRS 9 and IFRS 15 from 1 January 2018. The Company adopted these standards applying the modified retrospective approach without restatement. Of the adjustment above £1,565 debit relates to IFRS 9 and £33,583 credit relates to IFRS 15.

## **Oyster Risk Solutions Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

#### **1 General information**

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

These financial statements for the year ended 31 December 2019 were authorised for issue by the board on 29 Dec 2020.....and the Statement of Financial Position was signed on the board's behalf by D Coughill.

#### **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'.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities measured at fair value.

The adoption of IFRS 16, several amendments to standards and an interpretation are mandatorily effective for annual periods beginning on 1 January 2019. None of these had a material effect on the Company's financial statements.

The financial statements are presented in GBP sterling (£), which is also the Company's functional currency. The financial statements have been prepared on a historical cost basis, as modified to use a different measurement basis where necessary to comply with FRS 101.

##### **Summary of disclosure exemptions**

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

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

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64 (q)(ii), B66 and B67 of IFRS 3 Business Combinations which includes among other exemptions the requirement to include a comparative period reconciliation for goodwill;
- the requirements of paragraph 33(c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations;

## Oyster Risk Solutions Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 2 Accounting policies (continued)

- the requirements of IFRS 7 Financial Instruments: Disclosures and of paragraphs 91-99 of IFRS 13 Fair Value Measurement apart from those which are relevant for the financial statements which are held at fair value not held as part of a trading portfolio;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to provide comparative period reconciliations in respect of outstanding shares, property, plant & 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 in paragraph 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements, which includes the need to provide details on capital management;
- 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 around the need to disclose information on key management personnel and details on related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 134(d) - 134(f) and 135(c) - 135(e) of IAS 36 Impairment of Assets in respect of disclosure of assumptions on which projections used in the impairment review are based and sensitivity analysis.

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

Judgements made by the directors, in the application of these accounting policies that have 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 policies and estimates disclosure on page 25.

#### Going Concern

The financial statements of the Company have been prepared on a going concern basis. At 31 December 2019 the Company had net liabilities of £2,095,343 (2018: £2,830,428) and net current liabilities of £4,282,982 (2018: £5,023,211). The net current liabilities include amounts receivable from related parties of £15,209,611 (2018: £2,458,998), and amounts due to related parties of £19,966,327 (2018: £7,526,467).

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

- The current capital structure and liquidity of the Company and the Group, as well as the assessment that the Group continues to be a going concern.
- The Group manages its cash and funding requirements on a Group-wide basis.
- The source of funding of the Group includes £1.975 billion of debt in the form of \$500m (£400m) of Senior Unsecured Notes and £1.575 billion of private borrowings with maturity dates of 6 years (to which the Company is a guarantor along with the other significant subsidiaries in the Group). The guarantor obligations are joint and several obligations of all of the guarantors and this means that when there is a requirement to repay the borrowed funds, the lender may also call upon the guarantors as a whole, as well as each of them severally, to do so.

## Oyster Risk Solutions Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 2 Accounting policies (continued)

- The principal risks facing the Company and the Group, including the potential financial and operational impacts of covid-19, and its systems of risk management and internal control.
- The Group has assessed that it has sufficient liquidity to withstand a period of potential poor trading resulting from a sustained impact of Covid-19. The Group had available liquidity of £181.7m at 31 December 2019 and closely monitors available liquidity on an ongoing basis.
- The Group is largely insulated from currency FX volatility.
- The Group has access to a Revolving Credit Facility ("the Group's RCF"). The Group's RCF facility capacity is £191.5m that is undrawn.

Key stress scenarios that TAGL considered as part of its 2019 Going Concern assessment include cumulative stresses to the Group's base plan of a net reduction in cashflow of over £100m in 2020 and further reductions in 2021. TAGL's Going Concern stress testing indicated that revenue would need to decline by over 30% compared to base case in each of the next 6 quarters, offset by slightly higher discretionary cost cuts and headcount reductions (but still assuming that the cost base does not reduce at the same speed as income) to reach our liquidity limits. The Directors of TAGL considered these stress conditions to be a remote scenario.

Further details can be found in the 2019 Annual Report and Financial Statements of The Ardonagh Group Limited, which is published on its website.

The directors have also considered the wider operational consequences and ramifications of the COVID-19 pandemic:

- Business Continuity Plans are in place across each of the Group's operating segments, with measures to manage employee absences, access to the wider network of over 80 offices, the efficiency and stability of the Group's infrastructure and the ability for 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 taking common-sense precautions with a view to ensuring the wellbeing of colleagues. We continue to review this approach on a daily basis in line with latest global developments and government guidance.
- 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.

As further described in the subsequent events note, on 14 July 2020, the Group issued new borrowings, which it used to repay its existing borrowings and to fund acquisitions. The Directors' going concern assessment takes into account these new financing arrangements and latest forecasts for the enlarged group.

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

#### 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.

## Oyster Risk Solutions Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 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 retains a portion of the policy premiums as commission. Premiums are typically collected on an annual basis at or near contract inception (which could be up to 60 days from contract inception). In some cases, customers are offered to pay in instalments or are directed to a third-party premium credit provider. Some of the policies are rolling until the customer cancels the policy.

The Company utilises the practical expedient in IFRS 15 not to adjust the amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between when the Company transfers a service to a customer and when the customer pays for that service will be one year or less.

##### *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 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 presented as a contract liability. Revenue for post-placement obligations is recognised over the period of providing the services.

##### **Contract costs (Other assets)**

Contract costs are 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 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 period.

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

##### **Taxation**

##### *Current tax*

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

## Oyster Risk Solutions Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 2 Accounting policies (continued)

##### *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 Statement of Comprehensive Income, 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.

##### **Property, plant and equipment**

Assets are stated at their net book value (historical cost less accumulated depreciation). Depreciation is calculated to write off the cost of such assets on a straight-line basis over their estimated useful lives. The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting year. 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 Statement of Comprehensive Income when the asset is derecognised.

##### **Depreciation**

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 hardware	25% per annum straight line

##### **Intangible assets**

##### *Goodwill*

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in Statement of Comprehensive Income.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash generating units for the purpose of impairment testing.

## Oyster Risk Solutions Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 2 Accounting policies (continued)

##### Financial instruments

###### *Recognition and initial measurement*

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in Statement of Comprehensive Income.

###### *Derecognition*

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

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

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. 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. The difference between the carrying value of the original financial liability and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in Statement of Comprehensive Income.

###### *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"); and
- Fair value through profit and loss ("FVTPL").

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

## Oyster Risk Solutions Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 2 Accounting policies (continued)

##### *Financial assets classified as amortised cost*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

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

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

These assets are held within a business model whose objective is to collect the contractual cash flows and have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Thus, such assets are subsequently measured and carried at amortised cost in the Statement of Financial Position. The Company's trade receivables do not have a significant financing component and as such 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 liable as principals for amounts arising from such transactions. In recognition of this relationship, debtors from insurance broking transactions are not 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 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 consolidated 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 in the period following that change.

## Oyster Risk Solutions Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 2 Accounting policies (continued)

##### *Impairment of financial assets*

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

The Company recognises lifetime ECL for loans and 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, 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.

## Oyster Risk Solutions Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 2 Accounting policies (continued)

##### *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 Group has reasonable and supportable information to demonstrate that a more lagging 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 issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

##### *Classification and subsequent measurement of financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities are classified and measured at FVTPL when the financial liability is:

- contingent consideration relating to a business combination to which IFRS 3 applies;
- held for trading; or
- it is designated as at FVTPL.

Financial liabilities are otherwise classified and measured at amortised cost.

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

The Company has no debt instruments that are measured at FVTPL.

For financial liabilities that are denominated in a foreign currency, that are measured at amortised cost or at fair value through profit or loss, and that are not part of a designated hedging relationship, the foreign exchange gains and losses are recognised in Statement of Comprehensive Income.

The Company's financial liabilities include trade and other payables.

## **Oyster Risk Solutions Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

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

##### **Insurance transactions**

Insurance brokers act as agents in placing the insurable risks of their clients with insurers and, as such, are not liable as principals for amounts arising from such transactions. In recognition of this relationship, debtors from insurance broking transactions are not included as an asset of the Company. Other than the receivable for fees and commissions earned on a transaction, no recognition of the insurance transactions 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.

##### **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 income statement. In the year the Company discount rate used to calculate the present value of provisions was amended to reflect the risk-free 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.

##### **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.

##### **Financial guarantees**

Contracts meeting the definition of a financial guarantee are recognised at fair value under IFRS 9, or under IFRS 4 'Insurance Contracts' where the conditions required in order for it to be regarded as an insurance contract are satisfied. This is determined on a contract by contract basis, depending on whether the risk transferred represents a financial risk or an insurance risk.

## Oyster Risk Solutions Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 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.

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

#### Critical judgements in applying accounting policies

##### 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, and management's best estimate is used to determine the extent that it is probable that taxable profit will be available in the future, against which the temporary differences can be utilised, and the amount of this taxable profit. Deferred tax assets are measured at the tax rates in accordance with the tax laws that have been enacted or substantively enacted by the end of the reporting year. The deferred tax asset as at 31 December 2019 is £7,479 (31 December 2018: £11,724), see note 9.

#### 4 Turnover

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

	2019	2018
	£	£
Commission and fees	3,291,211	3,037,816
Trading deals	100,184	100,101
	<u>3,391,395</u>	<u>3,137,917</u>

Turnover consists entirely of sales made in the United Kingdom.

#### 5 Operating profit

Arrived at after charging

	2019	2018
	£	£
Depreciation expense	985	1,431
Auditor's remuneration: audit of these financial statements	11,346	11,016
Management charge paid to parent	<u>116,972</u>	<u>116,162</u>

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

Management charge paid to parent of £116,972 (2018: £116,162) relates to the central recharges. Centralised IT and property costs are recharged across cost centres with the rest of the Group.

# Oyster Risk Solutions Limited

## Notes to the Financial Statements for the Year Ended 31 December 2019

### 6 Finance income and finance cost

	2019 £	2018 £
<b>Finance income</b>		
Other finance income	330	-
Net finance income	330	-

### 7 Staff costs

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

	2019 £	2018 £
Wages and salaries	1,787,483	1,711,898
Social security costs	204,553	197,205
Pension costs, defined contribution scheme	93,347	52,047
	2,085,383	1,961,150

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

	2019 No.	2018 No.
Administration	14	13
Sales	22	20
Management	3	3
	39	36

### 8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019 £	2018 £
Aggregate emoluments	133,556	130,659
Company contributions to money purchase pension scheme	20,553	14,281
	154,109	144,940

The aggregate emoluments of the highest paid director were £133,556 (2018: £130,659) and company pension contributions of £20,553 (2018: £14,281) were made to a money purchase scheme on their behalf.

# Oyster Risk Solutions Limited

## Notes to the Financial Statements for the Year Ended 31 December 2019

### 8 Directors' remuneration (continued)

	2019	2018
	No.	No.
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	<u>1</u>	<u>1</u>

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

### 9 Income tax

Tax charged in the Statement of Comprehensive Income

	2019 £	2018 £
<b>Current taxation</b>		
UK corporation tax	(173,923)	(143,356)
UK corporation tax adjustment to prior periods	<u>(103)</u>	<u>(25)</u>
	(174,026)	(143,381)
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	<u>(4,160)</u>	<u>(2,365)</u>
Tax charge in the statement of comprehensive income	<u>(178,186)</u>	<u>(145,746)</u>

The differences are reconciled below:

	2019 £	2018 £
Profit before tax	<u>913,271</u>	<u>765,160</u>
Corporation tax at standard rate of 19% (2018: 19%)	(173,521)	(145,380)
Adjustments to tax charge in respect of previous periods - current tax	(103)	(29)
Expenses not deductible	(120)	(624)
Deferred tax expense from unrecognised tax loss or credit	(4,412)	-
Adjustments to tax charge in respect of previous periods - deferred tax	-	8
Tax (expense)/credit relating to changes in tax rates or laws	<u>(30)</u>	<u>279</u>
Total tax charge	<u>(178,186)</u>	<u>(145,746)</u>

Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantial enactment is after the balance sheet date, deferred tax balances as at 31 December 2019 continue to be measured at a rate of 17%.

# Oyster Risk Solutions Limited

## Notes to the Financial Statements for the Year Ended 31 December 2019

### 9 Income tax (continued)

#### Deferred tax

#### Deferred tax asset

	Asset £
<b>2019</b>	
Provisions	85
Accelerated tax depreciation	7,479
	<u>7,564</u>

	Asset £
<b>2018</b>	
Provisions	-
Accelerated tax depreciation	11,724
	<u>11,724</u>

#### Deferred tax movement during the year:

	At 1 January 2019 £	Recognised in income £	At 31 December 2019 £
Provisions	-	85	85
Accelerated tax depreciation	11,724	(4,245)	7,479
Net tax assets	<u>11,724</u>	<u>(4,160)</u>	<u>7,564</u>

#### Deferred tax movement during the prior year:

	At 1 January 2018 £	Recognised in income £	At 31 December 2018 £
Provisions	-	-	-
Accelerated tax depreciation	14,089	(2,365)	11,724
Net tax assets	<u>14,089</u>	<u>(2,365)</u>	<u>11,724</u>

## Oyster Risk Solutions Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 9 Income tax (continued)

Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2019 continue to be measured at a rate of 17%. If the amended tax rate had been used, the deferred tax asset would have been £900 higher.

In addition to the amount disclosed above, the Company has potential deferred tax assets at 31 December 2019 of £4,412 (2018: £nil) in relation to fixed assets totalling £25,953 (2018: £nil). This deferred tax asset has not been recognised in these accounts as it is not expected that the Company's future profitability will be sufficient to utilise it.

#### 10 Property, plant and equipment

	<b>Computer hardware £</b>
<b>Cost or valuation</b>	
At 1 January 2019	52,757
At 31 December 2019	52,757
<b>Depreciation</b>	
At 1 January 2019	51,712
Charge for the year	985
At 31 December 2019	52,697
<b>Carrying amount</b>	
At 31 December 2019	60
At 31 December 2018	1,045

## Oyster Risk Solutions Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 11 Intangible assets

	Goodwill £
<b>Cost or valuation</b>	
At 1 January 2019	2,922,451
At 31 December 2019	2,922,451
<b>Accumulated impairment</b>	
At 1 January 2019	742,437
At 31 December 2019	742,437
<b>Carrying amount</b>	
At 31 December 2019	2,180,014
At 31 December 2018	2,180,014

#### Impairment testing

Management reviews business performance based on lines of business. Goodwill is allocated to, and subsequently tested for impairment at Company level.

The recoverable amount of the Company is determined as the higher of fair value less costs to sell (FVLCS) and value in use (VIU), in accordance with the Company's accounting policy. For the year ended 31 December 2019, the recoverable amount of the Company was determined to be FVLCS.

FVLCS is considered to be a level 3 valuation in the fair value hierarchy, as it is not based on observable market data. It is derived based on Company's net assets and its future economic rights which is an average of a multiple of Revenue and a multiple of EBITDA.

#### 12 Trade and other receivables

	2019 £	2018 £
Trade receivables in relation to insurance transactions	279,945	190,122
Provision for impairment of trade receivables	(1,575)	(41,133)
Net trade receivables	278,370	148,989
Receivables from other Group companies	15,209,611	2,458,998
Prepayments	1,909	-
Other receivables	101	-
Other assets*	43,071	44,130
Total current trade and other receivables	15,533,062	2,652,117

\*Other assets are included in trade and other receivables in the Statement of Financial Position. Cost to fulfil the contracts are included in other assets.

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

# Oyster Risk Solutions Limited

## Notes to the Financial Statements for the Year Ended 31 December 2019

### 12 Trade and other receivables (continued)

### 13 Cash and cash equivalents

	2019	2018
	£	£
Cash at bank	<u>1,263,448</u>	<u>1,138,288</u>

Cash at bank includes £1,107,349 (2018: £1,138,288) which constitutes restricted client money and insurer money and £Nil (2018: £1,056,138) in office accounts which are considered restricted and not available to pay the general debts of the Company.

### 14 Trade and other payables

	2019	2018
	£	£
<b>Current trade and other payables</b>		
Trade payables in relation to insurance transactions	986,611	1,009,442
Accrued expenses	115,536	123,934
Amounts due to other Group companies	19,966,327	7,526,467
Contract liabilities*	<u>13,509</u>	<u>2,539</u>
	<u>21,081,983</u>	<u>8,662,382</u>

\*Contract liabilities are included in trade and other payables in the Statement of Financial Position.

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

### 15 Pension and other schemes

#### Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £93,347 (2018: £52,047).

### 16 Share capital

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

	2019		2018	
	No.	£	No.	£
Ordinary Shares of £1 each	<u>240,000</u>	<u>240,000</u>	<u>240,000</u>	<u>240,000</u>

## **Oyster Risk Solutions Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

#### **17 Parent and ultimate parent undertaking**

The Group's majority shareholder and ultimate controlling party at 31 December 2019 is HPS Investment Partners LLC. The parent company of the largest group that prepares group financial statements at 31 December 2019 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 2019 that consolidate the Company is Ardonagh Midco 3 plc (incorporated in Great Britain, registered office address 2 Minster Court, Mincing Lane, London, EC3R 7PD). Financial statements for The Ardonagh Group Limited and Ardonagh Midco 3 plc are available on request from:

2 Minster Court  
Mincing Lane  
London  
EC3R 7PD

#### **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.

## Oyster Risk Solutions Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 19 Subsequent events

The Directors have considered the guidance of the UK Financial Reporting Council and events relating to the spread of coronavirus (Covid-19) and have treated this as a non-adjusting subsequent event in these financial statements (see note 2 Basis of preparation).

#### *July 2020 transaction*

During July 2020, the Group implemented the “July 2020 transaction”, which comprises of the 14 July 2020 refinancing (see note 23, which provides further detail on how the Group issued new borrowings, which it used to repay its existing borrowings and to fund acquisitions) and three acquisitions, as set out in the Ardonagh Offering Memorandum dated 22 June 2020, and as summarised below.

- On 14 July 2020, the Group purchased the entire issued share capital of Nevada 5 Topco Limited, of which Arachas Topco Limited is an indirect subsidiary. The consideration paid was €135.8m cash. Additionally, all the existing borrowings of the acquiree group were settled.
- On 14 July 2020, the Group purchased the entire issued share capital of Nevada 4 Midco 1 Limited, the parent of Bravo Investment Holdings Limited. The consideration for the share capital was £39.8m cash. Additionally, all the existing borrowings of the acquiree group were settled.
- On 7 August 2020, The Group completed the purchase of the entire issued share capital of Bennetts Motorcycling Services Limited (“Bennetts”). The consideration paid for the share capital was £1.3m cash. Additionally, all the existing borrowings of the acquiree were settled. The Group exchanged contracts to acquire Bennetts on 17 February 2020 and Ardonagh voluntarily notified the merger to the Competitions and Markets Authority (“CMA”). Following its Phase 1 investigation, the CMA announced on 16 September 2020 that it would refer the merger for an in-depth Phase 2 investigation unless the Group offered suitable undertakings to address the CMA’s concerns. In response, the Group has offered to divest Bennetts and has not reported this interest as a business combination as it has been determined that it does not control Bennetts. This interest in the share capital of Bennetts has been recognised as a financial asset measured at fair value through other comprehensive income and is shown as an asset held for sale.