

Registration number: 06144421

Oyster Risk Solutions Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2022



Oyster Risk Solutions Limited

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Oyster Risk Solutions Limited

Company Information

Directors	K R Donaldson R L Worrell
Company secretary	Ardonagh Corporate Secretary Limited
Registered office	2 Minster Court Mincing Lane London EC3R 7PD United Kingdom
Auditor	Deloitte LLP 1 New Street Square London EC4A 3HQ United Kingdom

Oyster Risk Solutions Limited

Strategic Report for the Year Ended 31 December 2022

The directors present their Strategic Report for the year ended 31 December 2022 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 Ardonagh Group Holdings 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 revenue of £4,960k (2021: £4,457k) and profit before tax of £1,780k (2021: £1,590k) for the year. At 31 December 2022 the Company had net assets of £1,709k (2021: £268k).

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 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.

Companies Act s.172 Duty

The Directors take seriously their obligations under s.172 (1) (a)-(f) of the Companies Act 2006 ("s.172 Duties") to act in a way they consider, in good faith, would be the most likely to promote the success of the Company for the benefit of its members as a whole consistent with s.172 Duties.

Board oversight and governance are discharged by the Advisory Platform and Segment Boards. The Platform Board considers and approves acquisitions and disposals, sets integration/synergy plans and recommends investments over a set limit to the Ardonagh Group Board for approval. The Advisory Platform Board has constituted a Remuneration Committee and an Audit Committee. The Remuneration Committee approves matters delegated to them by the Group Remuneration Committee and recommend matters that require approval by the Group Remuneration & Nominations Committee. The Audit Committee ensures robust oversight over prudential and financial risk and Internal Audit plan delivery.

Oyster Risk Solutions Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

The performance and delivery of annual and integration plans of the underlying Broking and MGA businesses within the Advisory Platform are subject to detailed oversight by our Insurance Broking and MGA Segment Boards together with robust conflicts of interest management. The Segment Boards also discharge rigorous oversight over the management of risk. Given the respective size of the businesses, the Insurance Broking Segment Board has constituted a Risk Committee that reports back to the Board.

All our Boards and Committees operate under written terms of reference and a delegated authority framework set by the Ardonagh Group. Our Boards and Committees are supplied with regular, comprehensive and timely information in a form and quality that enables them to discharge their duties effectively. Below is an explanation of how the Advisory Platform and Segment Boards engage with our stakeholders and how their views inform Board decision making.

Shareholders

There are two shareholder representative directors on the Advisory Platform Board who articulate their views during Board discussions.

Employees

Our employees are central to the success of Ardonagh Advisory and our remuneration structures are designed to reward good performance at the individual and business level and support our values. In addition, the business focusses on providing long-term career prospects for staff with opportunities to up-skill through training, providing career progression paths and study support and, if appropriate, movement across different Advisory businesses or businesses across the wider Ardonagh Group. During 2022 Ardonagh Advisory invested in its employees with 779,912 hours of non-mandatory training completed, the commencement of an Emerging Careers Apprenticeship Programme, 220 employees obtained their Chartered Insurance Institute qualifications and the business is partnering with a university to enable future leaders to study for an MBA Senior Leader Level 7 qualification via virtual workshops.

Advisory have adopted an Equality and Diversity Policy and our Boards believes that equality, diversity and inclusion strengthen the Advisory business, contribute to long-term performance, and attract key talent. The Advisory Insurance Broking Segment Board has taken time to consider management actions and initiatives regarding diversity and inclusion, and they support and monitor management actions to increase the proportion of senior leadership roles held by women and other under-represented groups across Advisory. During 2022 Ardonagh Advisory established LGBTQ+ and disability employee forums, delivered 5 Diversity, Equity & Inclusion and wellbeing webinars with guest speakers. Advisory is working with Progress Together to drive socio-economic diversity at senior levels of the business.

An annual Groupwide employee pulse survey has been conducted since 2019. 74% of Advisory employees participated in the 2022 pulse survey. Advisory achieved an average score of 7.4 (out of 10) across all questions, in line with the 7.5 average score across the Ardonagh Group. The survey highlighted positive trends regarding creating a sense of belonging and purpose, fostering cultures of inclusion and respect, and building strong team and line manager relationships.

Oyster Risk Solutions Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Customers

Seeking good customer outcomes is central to the success of the business. Management continue to seek customer views and improve how we track our customers' perceptions of our businesses and bring the voice of our customers into Board reporting. Our products and services are periodically reviewed to ensure they continue to meet the needs of our customers. The Company is proud to have retained the Gold Investors in Customers accreditation in 2022.

In response to the cost-of-living crisis, the Board has reviewed and enhanced how we support our vulnerable customers, including dedicated call lines staffed by colleagues who have received specific training and been given tools and solutions to help our customers.

In preparation for the new Consumer Duty launched by the FCA, the Advisory Insurance Broking Segment Board selected an independent non-executive director to act as a Consumer Duty Champion who regularly meets with management to discuss and challenge performance against customer related metrics and helps facilitate the voice of the customer to be heard in the Boardroom.

Regulatory relationships

The Board prioritises positive, open and transparent engagement with all our regulatory relationships. Our directors receive regular updates on regulatory interactions and new regulatory rules and guidance and how they impact our businesses. We participate in thematic reviews and believe that strong regulatory relationships are a source of competitive advantage.

Insurers

Our insurance partners are fundamental to the success of the business. Senior leaders regularly meet with key insurance partners, supported by increasingly sophisticated data, to discuss performance and ways in which we can continue to meet customers' needs and these developments are reported to our Boards.

Our Suppliers

Management aims to treat all our suppliers fairly and to pay them in accordance with contractual terms. Our key suppliers are defined by the Group Outsourcing and Procurement Policy which ensures that all key suppliers are identified and subject to appropriate monitoring and engagement. Management ensures appropriate due diligence is performed on key suppliers before they are engaged. We require that our suppliers have ESG and modern slavery policies that are at least as stringent as our own.

Community and Environment

Ardonagh contributes to the communities in which we operate through the Ardonagh Charitable Trust. Advisory staff undertook a range of charitable activities on Ardonagh's annual Give Back Day and throughout 2022 to support a variety of local causes. Further details on how we interact with communities are set out in the Sustainability Report available on the Ardonagh website at www.ardonagh.com.

Climate-related risks and opportunities have grown in importance for us as an organisation. As a part of the Group with insurance intermediaries, understanding and managing risk (especially insurance transfer risk) is at the heart of what the Company does, and the Company recognises that climate change poses material long-term impacts for our clients, wider stakeholders and therefore ultimately, our business. The action that the Group is taking in respect to climate change is set out in the Ardonagh Group Sustainability Report that is available on the Ardonagh website at www.ardonagh.com.

Oyster Risk Solutions Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Case Study in considering stakeholders in decision making

Our Advisory Platform Board considered the new UK Consumer Duty rules and how they will impact our businesses and our stakeholders, as outlined out below:

Our Boards

The Platform Board considered and approved management's implementation plans to ensure compliance with the new Consumer Duty rules by the regulatory deadline. The Board received training and the previously mentioned Consumer Duty champion on the Board received additional briefings and training to ensure they can effectively discharge oversight and challenge. The Advisory Insurance Broking Segment Board will receive annual reviews in order to evidence that products and services comply with the new Consumer Duty.

Colleagues

Our directors received assurances that relevant staff will receive training on the new Consumer Duty rules and regular communications are sent out to staff to ensure awareness of the new rules and support the embedding of the Consumer Duty requirements. Our Boards regularly consider the culture within our businesses and ensure risk frameworks and remuneration policies help drive the right conduct and behaviours.

Customers

Our customers are at the heart of our decision making and our Boards considered how the business will ensure 'good customer outcomes' will be achieved and evidenced and how the business treats vulnerable customers. Our Boards have tasked management to build new metrics and reporting to enable compliance with the new rules to be measured and monitored. Management is also seeking ways to enhance customer communications in light of the new rules, and these enhancements will be subject to Board oversight and challenge.

Insurers

Our Insurance Broking Segment Board considered how the business will work with our insurer partners in order to comply with the new Consumer Duty rules, in particular how 'fair value' assessments will be conducted.

Regulatory

Our Insurance Broking Segment Board discharges oversight and challenge to ensure the business complies with regulatory deadlines set out in the new Consumer Duty rules. In addition, our Risk Committee consider interactions with the FCA to ensure our regulatory relationship is constructive, transparent and cooperative.

Shareholders

Our shareholder representative directors report back to the Group Board on progress and the impact of compliance with the new Consumer Duty rules on the business.

Oyster Risk Solutions Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Outlook

The directors do not expect there to be any changes in the nature of the business in 2023.

Key performance indicators

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

	Unit	2022	2021
Gross written premium (GWP)	£m	16.3	14.4
Revenue	£m	5.0	4.5
Administration expenses	£m	3.2	2.9
Revenue/GWP ratio	%	30.7	31.3
Administrative expenses/Revenue ratio	%	64.0	64.4

The Revenue/GWP ratio has decreased slightly from 31.3% in 2021 to 30.7% in 2022.

GWP and Revenue have increased by 13.2% and 11.1% respectively as a result of continued excellent advisory work in key markets and continued growth of client referrals.

Administrative expenses have increased from £2.9m in 2021 to £3.2m in 2022 (10.3%) mainly due to an increase in staff costs driven by significant growth. Overall the key performance indicators highlight a successful year for Oyster Risk Solutions Limited.

There is an overall increase of £503k in Revenue between 2021 and 2022 due to an increase in retention, an increase in rate and client growth. Customer Service Charges also went up by £55k which is due to the increased rates for 2022 for customer service charges, compared to 2021. Premium finance increased by £66k due to increase in rate and premium.

Non-financial key performance indicators include staffing levels which have increased by 2.5%, from 39 to 40 staff, 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.

Principal risks and uncertainties

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 2022 (continued)

Financial risk

There is the risk of an adverse impact on business value or earnings capacity as well as the risk of inadequate cash flows to meet financial obligations. These risks are mitigated by proactive management of the business plan, by regular monitoring of cash flows against risk appetite and by a focus on debt collection. The finance and treasury teams undertake cash flow forecasting and closely monitors and manages the Company's cash balances.

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

Operational risk

There is the risk of losses arising from inadequate or failed internal processes or systems, from personnel and/or from external events. These risks are mitigated by having an Enterprise Risk Management Framework in place. The framework requires all risks to have owners, and these owners have appropriate controls in place which are regularly monitored, and significant changes to a risk are escalated as required.

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. 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, and closely monitors changes to the regulatory environment.

Climate Risk

The Company acknowledges that there are risks posed by climate change that could potentially have impacts on our products, client needs, revenues and costs and it intends to integrate further climate-related considerations into our financial planning processes from 2023 onwards. As an insurance intermediary, we recognise our operations will evolve as climate change influences manifest themselves through changing business patterns. We continue to seek to optimise our businesses and operations, which includes identifying and pro-actively managing climate-related opportunities and risks.

Litigation

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

We maintain professional indemnity insurance for errors and omissions claims. The terms of this insurance vary by policy year and our ability to obtain professional indemnity insurance in the future may be adversely impacted by general developments in the market for such insurance, or by our own claims experience. If our insurance coverage proves inadequate or unavailable, there is an increase in liabilities for which we self-insure (see Provisions note 21 that shows the total provision held for litigation matters).

Oyster Risk Solutions Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Relationships with key suppliers

The Company is an insurance intermediary and depends on insurance companies providing it with insurance underwriting capacity and products. If third-party brokers and other intermediaries do not provide customers with competitive levels of service, or if a significant number of them choose not to distribute our products, the level of written premiums we place for customers may decline. 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 impact our business performance.

Capacity, business performance and distribution are kept under proactive management by the Company, as appropriate for its operations and needs.

Retention and wellbeing of staff

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

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

Approved by the Board on 13 October 2023 and signed on its behalf by:



.....
R L Worrell
Director

Oyster Risk Solutions Limited

Directors' Report for the Year Ended 31 December 2022

The directors present their annual report and the audited financial statements for the year ended 31 December 2022.

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

R L Worrell

Dividends

The directors do not recommend a final dividend payment to be made in respect of the financial year ended 31 December 2022 (2021: £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.

Future developments

Details of future developments can be found in the Strategic Report within the 'Outlook' section on page 6.

Political donations

The Company has not made any political donations during the year (2021: £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 twelve months from the date of approval of the financial statements.

Subsequent events

Details of subsequent events can be found in the notes to the financial statements within the 'Subsequent events' note on page 37.

Directors' indemnities

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

Oyster Risk Solutions Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

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 13 October 2023 and signed on its behalf by:



.....
R L Worrell
Director

Oyster Risk Solutions Limited

Statement of Directors' Responsibilities

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

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

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

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

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

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

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 2022 and of its profit for the year ended 31 December 2022;
- 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 18.

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

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.

Oyster Risk Solutions Limited

Independent Auditor's Report to the Members of Oyster Risk Solutions Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Oyster Risk Solutions Limited

Independent Auditor's Report to the Members of Oyster Risk Solutions Limited (continued)

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, pensions legislation 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. This included the company's regulatory permissions.

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

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

- we have assessed that there is a significant risk of material misstatement relating to revenue recognition which is pinpointed to cut-off assertion, that is risk of revenue being erroneously recognised in the incorrect period;
- we have obtained an understanding of the revenue process and the flow of financial information into the general ledger; and
- performed additional audit procedures as a part of testing to address cut-off assertion on the revenue balance at the year end and post year end to identify any transactions which may have been erroneously recognised in the incorrect 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 in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with regulatory authorities.

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 (continued)

Matters on which we are required to report by exception

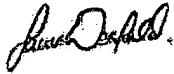
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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



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

Date: 13 October 2023

Oyster Risk Solutions Limited

Statement of Comprehensive Income for the Year Ended 31 December 2022

	Note	2022 £	2021 £
Revenue	4	4,959,741	4,457,213
Administrative expenses		<u>(3,180,010)</u>	<u>(2,866,805)</u>
Operating profit	5	<u>1,779,731</u>	<u>1,590,408</u>
Profit before tax		1,779,731	1,590,408
Income tax	8	<u>(338,899)</u>	<u>(280,955)</u>
Profit for the year		<u><u>1,440,832</u></u>	<u><u>1,309,453</u></u>

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

The notes on pages 19 to 37 form an integral part of these financial statements.

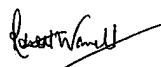
Oyster Risk Solutions Limited

(Registration number: 06144421)

Statement of Financial Position as at 31 December 2022

	Note	2022 £	2021 £
Non-current assets			
Intangible assets	9	2,180,014	2,180,014
Property, plant and equipment	10	3,634	3,902
Deferred tax assets	8	22,264	21,886
		<u>2,205,912</u>	<u>2,205,802</u>
Current assets			
Trade and other receivables	11	29,005,149	24,898,583
Cash and cash equivalents	12	16,821	39,326
		<u>29,021,970</u>	<u>24,937,909</u>
Current liabilities			
Trade and other payables	13	(29,518,653)	(26,321,987)
Current tax liability		-	(553,327)
		<u>(29,518,653)</u>	<u>(26,875,314)</u>
Net Current liabilities		<u>(496,683)</u>	<u>(1,937,405)</u>
Total Assets less current liabilities		<u>1,709,229</u>	<u>268,397</u>
Net assets		<u>1,709,229</u>	<u>268,397</u>
Capital and reserves			
Share capital	15	240,000	240,000
Retained earnings		1,469,229	28,397
Total equity		<u>1,709,229</u>	<u>268,397</u>

Approved by the Board on 13 October 2023 and signed on its behalf by:



.....
R L Worrell
Director

The notes on pages 19 to 37 form an integral part of these financial statements.

Oyster Risk Solutions Limited

Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital £	Retained earnings £	Total £
At 1 January 2022	240,000	28,397	268,397
Profit for the year	-	1,440,832	1,440,832
At 31 December 2022	<u>240,000</u>	<u>1,469,229</u>	<u>1,709,229</u>

	Share capital £	Retained earnings £	Total £
At 1 January 2021	240,000	(1,281,056)	(1,041,056)
Profit for the year	-	1,309,453	1,309,453
At 31 December 2021	<u>240,000</u>	<u>28,397</u>	<u>268,397</u>

The notes on pages 19 to 37 form an integral part of these financial statements.

Oyster Risk Solutions Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

1 General information

The Company is a private company limited by share capital, that is incorporated and registered in England, United Kingdom under the Companies Act 2006. The 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 2022 were authorised for issue by the board on 13 October 2023 and the Statement of Financial Position was signed on the board's behalf by R L Worrell.

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' ("FRS101") and Companies Act 2006.

The financial statements are presented in GBP sterling (£), which is also the Company's functional currency. Amounts shown are rounded to the nearest thousand, unless stated otherwise.

These financial statements have been prepared under the historical cost convention, as modified to use a different measurement basis where necessary to comply with FRS 101. There are no new standards, amendments to standards or interpretations which are effective in 2022 and that are expected to materially impact the Company's financial statements.

Summary of disclosure exemptions

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK ("Adopted 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 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;

Oyster Risk Solutions Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

- 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; and
 - 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 27.

Going Concern

The financial statements of the Company have been prepared on a going concern basis. At 31 December 2022 the Company had net assets of £1,709k (2021: £268k) and net current liabilities of £497k (2021: £1,937k). The net current liabilities include amounts receivable from related parties of £28,616k (2021: £24,287k), and amounts due to related parties of £27,240k (2021: £25,067k). The Company reported a profit before tax of £1,780k (2021: £1,590k).

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

- The Group's capital structure, operations and liquidity.
- Base case and stressed cash flow forecasts over the calendar years 2023 and 2024.
- The impact on the base case and stressed cashflow forecasts arising from subsequent material acquisitions.
- The principal risks facing the Group, and its systems of risk management and internal control.
- Actual trading and cashflows of the Group.

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

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

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 2023 and 2024.
- Deterioration in base case cash conversion rates over and above the shortfalls in income.
- Mitigating actions within management control including delayed capital expenditure, a reduction in discretionary spend and measured reductions in employee headcount and remuneration.
- The impact of increasing interest rates.

Oyster Risk Solutions Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

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

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

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

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

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.

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.

Oyster Risk Solutions Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

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

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 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.

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.

Taxation

Current tax

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

Deferred tax

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

Oyster Risk Solutions Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

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
Fixtures and fittings	25% per annum straight line
Computer hardware	25% per annum straight line

Intangible assets

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date. Goodwill is not subject to amortisation but is tested for impairment.

Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the 'cash generating unit' to which the asset belongs is determined, being the lowest level for which there are separately identifiable cash flows.

Any impairment charges arising from the review of the carrying value of goodwill and intangible assets are, where material, disclosed separately on the face of the Statement of Comprehensive Income.

Oyster Risk Solutions Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

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 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 2022 (continued)

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.

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 2022 (continued)

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.

Classification and subsequent measurement of financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL. 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 2022 (continued)

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. 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 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 statement of comprehensive income in the period in which they fall due.

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 critical accounting judgements that have impacted the carrying amounts of assets and liabilities in these financial statements. Key sources of estimation uncertainty are discussed below;

Impairment of assets

The Company tests annually whether goodwill and other assets that have indefinite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may exceed its recoverable amount.

Oyster Risk Solutions Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

4 Revenue

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

	2022	2021
	£	£
Commission and fees	4,709,511	4,227,119
Trading deals	250,230	230,094
	<u>4,959,741</u>	<u>4,457,213</u>

The total revenue of the Company for the current and prior year has been derived from its principal activity wholly undertaken in the UK.

5 Operating profit

The following items have been charged in arriving at operating profit:

	2022	2021
	£	£
Depreciation expense	1,515	1,221
Impairment of financial assets	15,141	9,441
Management charge paid to parent	30,585	108,910
Intra segmental cost allocations	<u>122,340</u>	<u>58,496</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, Ardonagh Group Holdings Limited.

Management charge paid to parent of £31k (2021: £109k) relates to the central recharges. Centralised IT and property costs are recharged across cost centres with the rest of the Group.

For the year ended 31 December 2022, the audit fee of £44k (2021: £13k) was paid by other Group entity for which no recharge was made to the Company.

Oyster Risk Solutions Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

6 Staff costs

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

	2022	2021
	£	£
Wages and salaries	2,225,475	2,012,642
Social security costs	271,503	240,589
Pension costs, defined contribution scheme	121,360	128,236
	<u>2,618,338</u>	<u>2,381,467</u>

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

	2022	2021
	No.	No.
Administration	8	27
Sales	30	10
Management	2	2
	<u>40</u>	<u>39</u>

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2022	2021
	£	£
Aggregate emoluments	141,550	129,663
Company contributions to money purchase pension scheme	8,270	24,138
	<u>149,820</u>	<u>153,801</u>

The aggregate emoluments of the highest paid director were £142k (2021: £130k) and company pension contributions of £8k (2021: £24k) were made to a money purchase scheme on their behalf.

Retirement benefits are accruing in money purchase schemes for one director (2021: One).

The emoluments of the remaining directors for current year are paid by other Group companies, which make no recharge to the Company. These directors are directors of other fellow subsidiaries. Their total emoluments are included in the consolidated financial statements of Ardonagh Group Holdings Limited for the year ended 31 December 2022. It is impracticable to determine the proportion of director emoluments that relate to this entity.

Oyster Risk Solutions Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

8 Income tax

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

	2022 £	2021 £
Current taxation		
UK corporation tax	339,277	302,841
Adjustments in respect of prior periods	<u>-</u>	<u>-</u>
Total current taxation	339,277	302,841
Deferred taxation		
Origination and reversal of temporary differences	(378)	(21,886)
Adjustments in respect of prior periods	-	-
Effect of tax rate change on opening balance	-	-
Total deferred taxation	<u>(378)</u>	<u>(21,886)</u>
Tax charge in the statement of comprehensive income	<u><u>338,899</u></u>	<u><u>280,955</u></u>

Oyster Risk Solutions Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

8 Income tax (continued)

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

	2022 £	2021 £
Profit before tax	<u>1,779,731</u>	<u>1,590,408</u>
Corporation tax at standard rate of 19% (2021: 19%)	338,149	302,178
Expenses not deductible for tax purposes	1,074	431
Income not taxable for tax purposes	(234)	-
Movement in deferred tax not recognised	-	(16,401)
Remeasurement of deferred tax for changes in tax rates	<u>(90)</u>	<u>(5,253)</u>
Total tax charge	<u>338,899</u>	<u>280,955</u>

Deferred tax

The UK corporation tax rate would rise from its current rate of 19% to 25% with effect from April 2023. UK deferred tax balances as at 31 December 2022 are measured at the substantively enacted rate at which the respective assets and liabilities are expected to reverse.

Deferred tax assets and liabilities are recognised on the Statement of Financial Position as follows:

	Asset £
2022	
Accelerated tax depreciation	<u>22,264</u>
2021	
Accelerated tax depreciation	<u>21,886</u>

Oyster Risk Solutions Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

8 Income tax (continued)

Deferred tax movement during the year:

	At 1 January 2022 £	Recognised in income £	At 31 December 2022 £
Accelerated tax depreciation	<u>21,886</u>	<u>378</u>	<u>22,264</u>

Deferred tax movement during the prior year:

	At 1 January 2021 £	Recognised in income £	At 31 December 2021 £
Accelerated tax depreciation	<u>-</u>	<u>21,886</u>	<u>21,886</u>

Oyster Risk Solutions Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

9 Intangible assets

	Goodwill £
Cost or valuation	
At 1 January 2022	<u>2,922,451</u>
At 31 December 2022	<u>2,922,451</u>
Accumulated impairment	
At 1 January 2022	<u>742,437</u>
At 31 December 2022	<u>742,437</u>
Carrying amount	
At 31 December 2022	<u>2,180,014</u>
At 31 December 2021	<u>2,180,014</u>

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 of disposal (FVLCD) and value in use (VIU), in accordance with the Company's accounting policy. For the year ended 31 December 2022, the recoverable amount of the Company was determined to be FVLCD.

FVLCD 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.

No impairment was recognised in respect of intangible assets in the financial year (2021: £Nil).

Oyster Risk Solutions Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

10 Property, plant and equipment

	Fixtures and fittings £	Computer hardware £	Total £
Cost or valuation			
At 1 January 2022	5,160	53,666	58,826
Transfer from group entities	-	13,073	13,073
Disposals	-	(42,682)	(42,682)
At 31 December 2022	<u>5,160</u>	<u>24,057</u>	<u>29,217</u>
Depreciation			
At 1 January 2022	1,978	52,946	54,924
Charge for the year	1,032	483	1,515
Disposals	-	(42,681)	(42,681)
Transfers from group entities	-	11,825	11,825
At 31 December 2022	<u>3,010</u>	<u>22,573</u>	<u>25,583</u>
Carrying amount			
At 31 December 2022	<u>2,150</u>	<u>1,484</u>	<u>3,634</u>
At 31 December 2021	<u>3,182</u>	<u>720</u>	<u>3,902</u>

11 Trade and other receivables

	2022 £	2021 £
Current trade and other receivables		
Trade receivables in relation to insurance transactions	271,149	478,469
Less: expected credit loss allowance	<u>(948)</u>	<u>(1,252)</u>
Net trade receivables	270,201	477,217
Receivables from other Group companies	28,615,894	24,287,024
Prepayments	792	1,210
Other assets	<u>118,262</u>	<u>133,132</u>
	<u>29,005,149</u>	<u>24,898,583</u>

Cost to fulfil contracts with customers of £118k (2021: £22k) is included in other assets, which is presented within and included in trade and other receivables in the Statement of Financial Position. Costs to fulfil include salary and other costs of customer-facing employees who undertake activities necessary to satisfy anticipated contracts with the customer. The net impact on profit or loss for the year ended 31 December 2022 was £15k (2021: £21k).

Amounts due from other Group companies as disclosed in the note 16 are unsecured, interest free and payable on demand.

Oyster Risk Solutions Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

12 Cash and cash equivalents

	2022	2021
	£	£
Own funds	<u>16,821</u>	<u>39,326</u>

13 Trade and other payables

	2022	2021
	£	£
Current trade and other payables		
Trade payables in relation to insurance transactions	2,001,888	1,016,231
Accrued expenses	241,829	187,391
Amounts due to other Group companies	27,240,068	25,067,036
Other taxes	11	4
Contract liabilities	<u>34,857</u>	<u>51,325</u>
	<u>29,518,653</u>	<u>26,321,987</u>

Contract liabilities of £35k (2021: £51k) represents deferred income relating to commission and administration fees and is included in trade and other payables in the Statement of Financial Position. During the year ended 31 December 2022, the Company recognised revenue amounting to £40k (2021: £17k) that was included in the opening balance of contract liabilities.

Amounts due to other Group companies as disclosed in the note 16 are unsecured, interest free and payable on demand.

14 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 £121k (2021: £128k).

Oyster Risk Solutions Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

15 Share capital

As at 31 December 2022, the Company has authorised ordinary share capital of £300k (2021: £300k).

Allotted, called up and fully paid shares

	2022	£	2021	£
	No.		No.	
Ordinary Shares of £1 each	<u>240,000</u>	<u>240,000</u>	<u>240,000</u>	<u>240,000</u>

The Company has one class of ordinary shares which have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

16 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.

	2022	2022	2022	2021	2021	2021
	Paid to	Received from	(Due to) /receivable from at year end	Paid to	Received from	(Due to) /receivable from at year end
	£	£	£	£	£	£
Ardonagh Advisory Holdings Limited	119,332	(26,307,186)	(26,187,854)	-	-	-
Oyster Property Insurance Specialists Limited	105	-	-	-	-	(105)
Geo Underwriting Services Limited	317	-	-	-	-	(317)
Ardonagh FinCo Plc	235,664	-	-	-	-	(235,664)
Ardonagh Midco 3 Plc	468,854	-	-	-	-	(468,854)
Dawson Whyte Limited	-	-	(460)	-	-	(460)
Ardonagh Services Limited	24,365,722	(985,414)	(981,204)	5,666	2,674,700	(24,361,512)
Cullum Capital Ventures Limited	-	-	(125)	-	-	(125)
Advisory Insurance Brokers Limited (formerly Towergate Underwriting Group Limited)	24,481,060	(19,826,259)	28,940,785	7,250,696	1,742,509	24,285,985
Health and Protection Solutions Limited	202	-	1,241	929	214	1,039

Oyster Risk Solutions Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

17 Parent and ultimate parent undertaking

The Company's immediate parent company is Ardonagh Advisory Holdings Limited and the ultimate parent company is Tara Topco Limited.

The Group's majority shareholder and ultimate controlling party at 31 December 2022 is Madison Dearborn Partners LLC. The parent company of the largest group that prepares group financial statements at 31 December 2022 that consolidate the Company is Ardonagh Group Holdings Limited (incorporated in Great Britain, registered office address 2 Minster Court, London, EC3R 7PD). The parent company of the smallest group that prepares group financial statements at 31 December 2022 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 Ardonagh Group Holdings Limited and Ardonagh Midco 2 plc are available on request from:

2 Minster Court
Mincing Lane
London
EC3R 7PD

18 Subsequent events

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