Registration number: 07476462

Ardonagh Services Limited

Annual Report and Unaudited Financial Statements

for the Year Ended 31 December 2022

Ardonagh Services Limited

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Ardonagh Services Limited

Company Information

Directors	D Cougill
	D C Ross
Company secretary	Ardonagh Corporate Secretary Limited
Registered office	2 Minster Court Mincing Lane London EC3R 7PD United Kingdom

Ardonagh Services Limited

Strategic Report for the Year Ended 31 December 2022

The directors present their Strategic Report for the year ended 31 December 2022 for Ardonagh Services Limited ("the Company" or "ASL"). The Strategic Report provides a review of the business for the financial year and describes how the directors manage risks. The report outlines the performance of the Company during the financial year and its position at the end of the year. The report discusses the developments that have affected the Company and the main trends and factors that could affect its future. The Company is part of Ardonagh Group Holdings Limited ("the Group").

Principal activities and business review

The principal activity of the Company is that of an internal services company. The Company incurs costs on behalf of the Group and its subsidiary companies and makes recharges to these companies.

The results for the Company show a loss before tax of £5.1m (2021: £29.1m (audited)) for the year and revenue of £18.3m (2021: £38.7m (audited)). At 31 December 2022 the Company had net current assets of £362.7m (2021: £368.9m (audited)) and net assets of £672.5m (2021: £668.9m (audited)). The prior year financial statements were audited whereas in 2022, the Company has taken exemption from audit under section 479A.

The going concern section (part of accounting policies note) on page 15 sets out the reasons why the directors continue to believe that the preparation of the financial statements on a going concern basis is appropriate.

Outlook

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

Key performance indicators

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

A key performance indicator for this company is the carrying value of its investments in subsidiaries, £279.4m at 31 December 2022 (2021: £272.6m (audited)). The performance of the subsidiary will determine whether an impairment to the carrying value is required and this is tested on a regular basis. There were impairment charges for the current year end.

Non-financial key performance indicators include staffing levels which have reduced by 20% (2021: increased by 15%) during the year (see note 5).

Principal risks and uncertainties

The Company has a comprehensive strategy for the identification, mitigation and management of risk. A wide ranging assessment of business risks has been undertaken resulting in the compilation of a risk register. The 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:

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 Company and Group has demonstrated its resilience to economic uncertainties and demonstrated operational and financial resilience in response to a downturn in UK business and customer confidence.

The Company and Group has sufficient liquidity to withstand a period of potential poor trading resulting from a sustained economic decline, although this has not materialised to date and the Group would respond to income declines by seeking cost savings. The Group had available liquidity of £790.4m at 30 September 2023 and closely monitors available liquidity on an ongoing basis.

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

Operational risk
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, which is owned by the Group Risk Officer. 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 has insurance to protect against such contingencies.

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

Business Continuity Plans are in place, which include policies to manage employee absences, to ensure access to the wider network of offices, to maintain the efficiency and stability of the Group's infrastructure, and to facilitate home working for a significant portion of our employee base. Leadership teams and working groups led by senior managers are in place to support wellbeing of colleagues and operational resilience.

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

Below is an explanation of how the Board has fully applied the Wates Principles and, taken together, discharged its Section 172(1) Duties.

Principle 1 - An effective board develops and promotes the purpose of a company, and ensures that its values, strategy, and culture align with that purpose.
The purpose of the Ardonagh Services Limited is to provide internal services This purpose is supported by the Group's strategy, values and culture. The Company and Platform Boards consider and approve a refreshed business plan each year that reflects the growth ambitions of the Group. Ardonagh Services Limited's values form part of the Ardonagh Code of Conduct which sets out expectations in respect to fair treatment of our customers and colleagues, and standards of professional integrity and personal performance. The Code of Conduct is supported by mandatory training and financial incentive arrangements that are subject to assessments of conduct and behaviour and employee engagement. The Boards also consider annual reviews of compliance with the Group remuneration policy to ensure incentives are aligned with our values and support the right conduct and behaviours. The Group Board considers and approves the annual Modern Slavery statement that is also subject to review by Platform Boards.

Principle 2 - Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge.
The role of Chair and CEO on the Group Board are separated, and the Chairman was considered independent on appointment. Independent non-executive directors meet with management on a regular basis to discuss issues and progress against agreed actions. All Board Directors are expected to have the time to commit to adequately fulfil their responsibilities and are expected to complete online training on legal and compliance topics. All newly appointed Directors to the Company Platform and Segment Boards are provided with a comprehensive and bespoke induction programme aimed at familiarisation with the Ardonagh Services Limited and focus on the challenges, opportunities and risks being faced by the business.

Employees
Good progress has been made within our People capital Pillar in 2022. In line with our focus on sustainability we launched the Ardonagh Academy programme in May based on our sustainable leadership ethos, including a Group wide mentoring programme with mentors having been trained on our approach. There has also been significant focus on both leadership team development with the purpose of working together to leave things better than they are found. Finally, our graduate development programme was launched which has a strong link to giving back to the communities within which we operate.

We ran our employee engagement survey again in 2022, continuing to see a positive engagement score across the Group, as illustrated in the strong responses received to our Inclusion and Belonging questions set from managers and non-managers, those working at home, in an office or in a hybrid arrangement and at different lengths of service. When viewing the responses from the survey through a gender identity lens there was little variation across groups in their response scores, which was encouraging to see.

Our wellbeing initiatives continued to gather pace adding a financial wellbeing offering in the UK to our established mental and physical wellbeing approach. Our commitment to mental health and wellbeing continues and we ensure that our colleagues have access to Mental Health First Aiders through our ongoing programme of training and internal networking. The financial wellbeing offer was launched initially with a pilot at the beginning of the year and then launched across the UK in Q4 2022.

In addition to our People Management policies (including Equality & Diversity, and Training and Competency) and Remuneration and Accountability policies, we continue to work hard to develop our flexible working and family friendly policies piloting new ways of working in different businesses and sharing best practice across the Group.

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.

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. Ardonagh colleagues 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 recognise 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.

Approved by the Board on 20 November 2023 and signed on its behalf by:

D Cougill
Director

Ardonagh Services Limited

Directors' Report for the Year Ended 31 December 2022

The directors present their annual report and the unaudited 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, were as follows:

D Cougill

D C Ross

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

Streamlined Energy and Carbon Reporting
As a subsidiary for the year ended 31 December 2022, the Company has not separately reported its energy and carbon information. Instead, this information has been reported at group level. Further details can be found in the 2022 Annual Report and Financial Statements of Ardonagh Midco 2 plc, which is published on the Ardonagh website.

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

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 (audited)).

Political donations
The Company has not made any political donations during the year (2021: £Nil (audited)).

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 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 the internal website.

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.

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

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.

Subsequent events
Details of subsequent events can be found in the Notes to the financial statements within 'Subsequent events' on page 44.

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 at least the next twelve months from the date of approval of the financial statements. Therefore, 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.

Approved by the Board on 20 November 2023 and signed on its behalf by:

D Cougill
Director

Ardonagh Services 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 Group's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Statement of Comprehensive Income for the Year Ended 31 December 2022

	Note	(Unaudited) 2022 £ 000	(Audited) 2021 £ 000
Revenue	4	18,255	38,743
Administrative expenses		(47,862)	(90,586)
Operating loss	6	(29,607)	(51,843)
Gain on disposal of investments		-	143
Impairment of investments		(37)	
Finance costs	7	(10,895)	(10,940)
Finance income	7	35,454	33,526
Loss before tax		(5,085)	(29,114)
Income tax	9	1,862	3,778
Loss for the year		(3,223)	(25,336)

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

The notes on pages 13 to 44 form an integral part of these financial statements.

Ardonagh Services Limited

(Registration number: 07476462)
Statement of Financial Position as at 31 December 2022

	Note	(Unaudited) 2022 £ 000	(Audited) 2021 £ 000
Non-current assets			
Intangible assets	10	2,289	6,425
Property, plant and equipment	11	203	1,053
Right-of-use assets	12	659	1,191
Investments in subsidiaries	13	279,408	272,634
Deferred tax assets	9	29,711	26,481
		312,270	307,784
Current assets			
Cash and cash equivalents	15	4,998	123,207
Trade and other receivables	14	943,374	1,275,694
		948,372	1,398,901
Current liabilities			
Trade and other payables	16	(378,384)	(831,030)
Borrowings	17	(205,714)	(194,917)
Lease liabilities	12	(529)	(586)
Tax liabilities		(180)	(1,228)
Provisions	19	(853)	(2,274)
		(585,660)	(1,030,035)
Net current assets		362,712	368,866
Total assets less current liabilities		674,982	676,650
Non-current liabilities			
Trade and other payables	16	-	(2,817)
Lease liabilities	12	(1,805)	(4,015)
Provisions	19	(674)	(968)
		(2,479)	(7,800)
Net assets		672,503	668,850

The notes on pages 13 to 44 form an integral part of these financial statements.

Ardonagh Services Limited

(Registration number: 07476462)
Statement of Financial Position as at 31 December 2022 (continued)

	Note	(Unaudited) 2022 £ 000	(Audited) 2021 £ 000
Capital and reserves			
Share capital	20	1,746,679	1,746,679
Share premium		248,442	248,442
Capital contribution		40,103	33,291
Retained losses		(1,362,721)	(1,359,562)
Total equity		672,503	668,850

For the financial year ending 31 December 2022 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

Approved by the Board on 20 November 2023 and signed on its behalf by:

D Cougill
Director

The notes on pages 13 to 44 form an integral part of these financial statements.

Ardonagh Services Limited

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

	Share capital £ 000	Share premium £ 000	Capital contribution £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2022 (Audited)	1,746,679	248,442	33,291	(1,359,562)	668,850
Loss for the year (Unaudited)	-	-	-	(3,223)	(3,223)
Share-based payment (Unaudited)	-	-	-	64	64
Capital contribution (Unaudited)	-	-	6,812	-	6,812
At 31 December 2022 (Unaudited)	1,746,679	248,442	40,103	(1,362,721)	672,503

During the year, the Company received a capital contribution from its parent, Ardonagh Finco plc, to support the acquisition of one of the Group subsidiaries, Hooper Dolan.

The Company utilised its capital contribution by immediately investing the full amount of £6.8m within its subsidiary.

	Share capital £ 000	Share premium £ 000	Capital contribution £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2021 (Audited)	1,739,092	240,586	33,291	(1,334,562)	678,407
Loss for the year (Audited)	-	-	-	(25,336)	(25,336)
Issue of share capital (Audited)	7,587	7,856	-	-	15,443
Share-based payment (Audited)	-	-	-	336	336
At 31 December 2021 (Audited)	1,746,679	248,442	33,291	(1,359,562)	668,850

The notes on pages 13 to 44 form an integral part of these financial statements.

1 General information

The Company is a private company limited by share capital incorporated and registered in England, United Kingdom. The registered office address can be found on page 1. Details of the principal activities of the Company can be found in the Strategic report on page 2.

These financial statements for the year ended 31 December 2022 were authorised for issue by the Board on 20 November 2023 and the Statement of Financial Position was signed on the board's behalf by D Cougill.

2 Accounting policies

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

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

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

As a wholly owned subsidiary of Ardonagh Group Holdings Limited, the Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group accounts, and its results are included in the consolidated accounts of AGHL for the year ended 31 December 2022. The previous holding company of the Company was The Ardonagh Group Ltd ("TAGL").

No amendments to standards and interpretations that are mandatorily effective for annual periods beginning on 1 January 2022 have had a material effect on the Company's financial statements.

FRS 101 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 ("UK-adopted IFRS"), 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:

2 Accounting policies (continued)

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment concerning details of the number and weighted average exercise price of share options and how the fair value of goods or services received was determined;
- 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 IFRS 7 Financial Instruments: Disclosures and of paragraphs 91-99 of IFRS 13 FairValue Measurement;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to(c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to provide comparative period reconciliations in respect of outstanding shares, property, plant and equipment and intangible assets;
- the requirements in paragraph 10(d) and 111 of IAS 1 Presentation of Financial Statements to prepare a Cash flow statement and the requirements in IAS 7 Statement of Cash Flows regarding the same;
- the requirements of paragraphs 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 30 and 31 in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors regarding disclosure of new IFRS standards not yet effective at the reporting date and their potential impact;
- the requirements in paragraphs 17 and 18A of IAS 24 Related Party Disclosures and the requirements in IAS 24 to disclose related party transactions entered into between two or more members of the Group, provided that any subsidiary which is party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 130(f)(ii) -(iii), 134(d) - 134(f) and 135(c) - 135(e) of IAS 36 Impairment of Assets in respect of disclosure of valuation techniques, 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 a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are discussed in the Critical accounting judgements and key sources of estimation uncertainty disclosure on page 26.

2 Accounting policies (continued)

Going concern

As shown in account note 23, the Company was a member of a group ("the Group") of which The Ardonagh Group Holdings Limited ("AGHL") was the ultimate parent company and the highest level at which results were consolidated for the year ended 31 December 2022.

The financial statements of the Company have been prepared on the basis that the Company is a going concern. At 31 December 2022, the Company had net assets of £672.5m (31 December 2021: £668.9m (audited)) and net current assets of £362.7m (31 December 2021: £368.9m (audited)). The Company reported an operating loss of £29.6m for the year ended 31 December 2022 (31 December 2021: £51.8m (audited)).

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

- The Company and 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 Company and Group and its systems of risk management and internal control.
- The Company's capital management, among other things, aims to ensure that it meets financial covenants attached to its interest-bearing loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.
- Actual trading and cashflows of the Company and Group, including those of the group of companies previously owned by TAGL.

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. In addition to this, net equity proceeds of GBP 134.9m were received in January 2023 and GBP 187.4m in March 2023 from the Group's ultimate shareholder.
- Client retention and renewal rates remain robust, despite the current economic uncertainty, as the 2023 trading performance continues to demonstrate resilience across the Group, including that of the group of companies previously owned by TAGL.
- Interest costs should be modelled using current forward interest rates and current FX rates (other than where interest rates on debt have been fixed through interest rate swaps).

2 Accounting policies (continued)

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.
- An inflationary cost increase of 2% over the base case assumptions.
- Additional interest costs on the term and CAR debt facilities based on forward interest rate expectations.
- Mitigating actions within management control including delayed capital expenditure, a reduction in discretionary spend and measured reductions in employee headcount and remuneration.

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, foreign exchange rates, 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.
- The Group continues to monitor the risk of cyberattacks, but the Group has not identified any significant cybersecurity risks during the period ended 31 December 2022.

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

2 Accounting policies (continued)

Leases

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

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

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

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

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

Subleases
The Group does not undertake arrangements as a lessor other than as a sublessor. When the Group is a sublessor, it classifies the sublease as a finance lease if the sublease transfers substantially all the risks and rewards incidental to ownership of the asset that is the subject of the sublease, namely the right-of-use asset arising from the head lease. The sublease is otherwise classified as an operating lease.

2 Accounting policies (continued)

Revenue

(a) Management charge
The Company has recharged the costs incurred to certain (direct and indirect) trading subsidiaries throughout the year. The management fee receivable (the total of the recharged costs) is shown as revenue in the Statement of Comprehensive Income.

(b) Other income
Other income relates to incentive payments received from suppliers.

(c) Carrier Management
The Company receives income from certain carriers in respect of strategic carrier management. The Company satisfies its performance obligation to the carriers over time and thus recognises revenue over time. The Carrier Management Income is shown as revenue in the Statement of Comprehensive Income.

Taxation

Current tax
Current tax is recognised for the amount of tax payable/receivable in respect of the taxable profit/loss 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 taxable temporary differences at the reporting date (except in relation to goodwill or a transaction which is not a business combination and does not affect profit nor taxable profit). 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 against future taxable profits. 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, and if they relate to income taxes levied by the same taxation authority on the same taxable entity or on different taxable entities which intend to settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously.

The tax expense for the period comprises current and deferred tax. Income tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income. Similarly, income tax is recognised directly to equity if it relates to items that are recognised directly to equity.

2 Accounting policies (continued)

Intangible assets

Trademarks, patents and licences
Brand intangible assets are recognised on a business combination because they are separable or arise from contractual or other legal rights. Their fair value is calculated as the sum of the present value of projected royalty payments that would be paid to licence the right to use the brand. These assets are amortised on a straight-line basis over their estimated useful lives of between 1 and 10 years, which considers the Group's track record of retaining brands and experience of the insurance broking market.

Computer software
Computer software is recognised when purchased separately, when acquired as part of a business combination, or when internally-generated. The fair value of computer software that is purchased separately is calculated by reference to the amount paid. The fair value of computer software that is acquired as part of a business combination is calculated using the depreciated replacement cost or relief from royalty approach. The fair value of internally-generated computer software is calculated as described below. These assets are amortised on a straight-line basis over their estimated useful life of 4 years.

Internally-generated computer software and assets under construction
Expenditure on research activities is recognised as an expense in the year in which it is incurred.

An internally-generated intangible asset arising from the development of computer software (or from the development phase of an internal project) is recognised if, and only if, all the following conditions have been demonstrated:
• the technical feasibility of completing the asset so that it will be available for use or sale;
• the intention to complete the asset and to use or sell it;
• the ability to use or sell the asset;
• how the asset will generate future economic benefits;
• the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and
• the ability to measure reliably the expenditure attributable to the asset during its development.

The amount initially recognised is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above and is classified as an asset under construction. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in the Statement of Comprehensive Income in the year when it is incurred.

Internally-generated intangible assets are not amortised in the period subsequent to initial recognition but before they are ready for use. Amortisation commences when they are ready for use as intended by management. They are then reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Internally-generated intangible assets are amortised on a straight-line basis over their estimated useful lives of 4 years.

Derecognition of intangible assets
An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2 Accounting policies (continued)

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 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.

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.

Where assets under construction projects are incomplete, costs are capitalised as work in progress and included within property, plant and equipment assets. These costs are not subject to depreciation until completion of the project.

Depreciation
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. At the reporting date, the Company's principal rates of depreciation were as follows:

Asset class	Depreciation method and rate
Leasehold improvements	Over the remaining life of the lease
Fixtures and fittings	Over 4 years
Furniture and equipment	Over 4 years
Computer equipment	Over 4 years

2 Accounting policies (continued)

Investments in subsidiaries
A subsidiary is an entity over which the Company has control. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Investments in subsidiaries are accounted for at cost less, where appropriate, impairment.

Impairment of investment
The carrying amount of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Impairment losses are recognised in the Statement of Comprehensive Income.

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 they are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs 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

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 the Statement of Comprehensive Income.
On derecognition of an investment in an equity instrument which the Company has elected on initial recognition to measure at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to the Statement of Comprehensive Income, but is transferred to retained earnings.

2 Accounting policies (continued)

Financial liabilities

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. The difference between the carrying value of the original financial liability and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Classification and subsequent measurement of financial assets

The Company classifies its financial assets in the following measurement categories:
• Amortised cost;
• Fair value through other comprehensive income (FVTOCI); or
• Fair value through profit or loss (FVTPL).
All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on their classification.

Financial assets classified as amortised cost

Financial assets that meet the following conditions are classified and 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 (except for certain other receivables measured at FVTPL, see below), advances to related parties, cash and cash equivalents and certain other financial assets.

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

2 Accounting policies (continued)

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

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

Reclassifications

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

Impairment of financial assets

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

The Company recognises lifetime ECL 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.

2 Accounting policies (continued)

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.

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

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

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

Write-off policy

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

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 1) the financial liability is deferred consideration, contingent consideration or a share buyout balance relating to a business combination to which IFRS 3 applies, or 2) it is a derivative.

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

For financial liabilities that are denominated in a foreign currency that are not part of a designated hedging relationship, the foreign exchange gains and losses are recognised in profit or loss. The Company's financial liabilities include borrowings, trade and other payables, derivatives, deferred consideration and contingent consideration.

2 Accounting policies (continued)

Financial liabilities at fair value through the profit or loss
Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative liabilities.

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

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date. Borrowings are recognised initially at fair value, net of transactions costs incurred. They are subsequently measured at amortised cost using the effective interest rate method.

Trade payables are initially recognised at fair value and are subsequently measured at amortised cost.

Finance income and costs policy
The Company's finance income and finance costs include:
• interest income on bank deposits
• interest receivable on loan
• Interest payable on loan
• interest payable on unwinding of discount on lease liabilities and provisions

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

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.

2 Accounting policies (continued)

Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees as consideration for the award of MIP shares. MIP shares have no dividend or voting rights and cannot be sold, they are convertible to ordinary shares of the Ardonagh Group on occurrence of a crystallisation event, this being defined as the earlier of a liquidity event an IPO or a winding-up.

The Group has the option to repurchase MIP shares if employees leave the Group prior to the occurrence of a crystallisation event. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense, measured based on the fair value of the options granted and recognised on a straight-line basis over the vesting period. At the end of each reporting period the Group assesses the length of the vesting period based on the most likely date of crystallisation, where a crystallisation event is not deemed probable no expense is recognised.

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 Group operates a number of defined contribution pension schemes. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

The Group has no legal or constructive obligations to pay further contributions.

The costs of the Group's defined contribution pension schemes are charged to the income statement 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.

The Directors consider that there are no significant judgements in preparation of the financial statements.

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

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

Deferred tax assets

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

The deferred tax assets as at 31 December 2022 is £29.7m (2021: £26.5m (audited)). See note 9.

Impairment of trade and other receivables

The Company makes an estimate of the recoverable value of trade receivables and other debtors including intercompany receivables. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile and historical experience. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables and contract assets. See note 14 for the net carrying amount of the receivables and associated impairment provision.

In 2022, there were no additional bad debt provisions against receivables from related parties (2021: £0.1m).

Impairment of investments in subsidiary

Investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may exceed its recoverable amount.

An impairment test is performed by comparing the investment's carrying amount with its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use ("VIU"), where its VIU is the present value of its future cash flows. An impairment test requires the application of significant judgement because it relies on key assumptions, including forecast cash flows, a discount rate, a terminal growth rate and an EBITDA multiple.

Further details of the annual impairment test, and of the assumptions made, are set out in note 13.

4 Revenue

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

	(Unaudited) 2022 £000	(Audited) 2021 £000
Other income	-	164
Carrier management	3,900	2,419
Management charge	14,355	36,160
	18,255	38,743

Revenue consists entirely of income generated in the United Kingdom.

The management charge noted in the table above includes central costs - IT, legal, HR and other central costs incurred by the Company and recharged to fellow group subsidiaries.

5 Salaries and associated costs

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

	(Unaudited) 2022 £ 000	(Audited) 2021 £ 000
Wages and salaries	20,679	22,356
Social security costs	2,731	3,036
Share-based payment expenses	61	305
Pension costs, defined contribution scheme	579	585
	24,050	26,282

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

	(Unaudited) 2022 No.	(Audited) 2021 No.
Administration	151	194
Management	28	29
	179	223

6 Operating loss

	(Unaudited) 2022 £ 000	(Audited) 2021 £ 000
Depreciation on property, plant and equipment	508	916
Depreciation on right-of-use of assets	565	619
Amortisation of intangible fixed assets	2,201	3,475
Auditor's remuneration: audit of financial statements	99	88
Related party bad debt provision write off	-	105
Restructuring obligations	-	71
Loss on disposal of property, plant and equipment	94	-

Included in the current year is £99k in respect of additional fees agreed for the prior year audits.

For the year ended 31 December 2022, the Company has taken the exemption under s479A of the Companies Act 2006 from the requirement to obtain an audit of their separate financial statements. The guarantee of the outstanding liabilities as at 31 December 2022 has been provided by Ardonagh Midco 2 plc, a fellow Group company. As a result, no audit fee has been incurred (2021: £88k (audited)).

During the year, the Company made no adjustment to a provision against intercompany debt due from the Towergate Financial Group (2021: £0.1m (audited)). This adjustment reflected the movement in the Towergate Financial intercompany balances in 2021. The balances were deemed unrecoverable and hence were fully impaired.

7 Finance income and finance costs

	(Unaudited) 2022 £ 000	(Audited) 2021 £ 000
Finance income		
Interest income on bank deposits	463	10
Interest receivable from related parties	29,099	28,273
Interest income: discount unwind	5,892	5,243
	35,454	33,526

7 Finance income and finance costs (continued)

	(Unaudited) 2022 £ 000	(Audited) 2021 £ 000
Finance costs		
Interest on related party loans	(10,797)	(10,798)
Effective interest on lease liabilities	(70)	(138)
Unwinding of discount on provisions	(15)	(4)
Interest on overdue tax	(13)	-
	(10,895)	(10,940)
Net finance income	24,559	22,586

As at 31 December 2022 the Company was due a total of £29.1m (2021: £28.3m (audited)) of interest on loans to other Group undertakings. In the year ended 31 December 2022, the interest expense on the £122.0m subordinated loan, charged at 8.85% per annum was £10.8m (2021: £10.8m (audited)).

The remaining expense of £0.07m relates to lease liabilities (note 12), the unwinding of discounts on provisions made on Onerous leases (note 19) and interest on overdue tax.

8 Directors' remuneration

The emoluments of all directors are paid by other Group companies, which make no recharge to the Company. These directors are directors of Ardonagh Group Holdings Limited and 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.

9 Income tax

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

	(Unaudited) 2022 £ 000	(Audited) 2021 £ 000
Current taxation		
UK corporation tax	(51)	(1,932)
Adjustments in respect of prior periods	1,419	11,344
Total current taxation	1,368	9,412

9 Income tax (continued)

	(Unaudited) 2022 £ 000	(Audited) 2021 £ 000
Deferred taxation		
Origination and reversal of temporary differences	(897)	(9,244)
Adjustments in respect of prior periods	(1,996)	(55)
Effect of tax rate change on opening balance	(337)	(3,891)
Total deferred taxation	(3,230)	(13,190)
Tax credit in the Statement of Comprehensive Income	(1,862)	(3,778)

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

	(Unaudited) 2022 £ 000	(Audited) 2021 £ 000
Loss before tax	(5,085)	(29,114)
Corporation tax at standard rate of 19% (2021: 19%)	(966)	(5,532)
Adjustments to tax charge in respect of previous periods - current tax	1,419	11,344
Adjustments to tax charge in respect of previous periods - deferred tax	(1,996)	(55)
Expenses not deductible for tax purposes	438	3,030
Movement in deferred tax not recognised	(269)	(889)
Remeasurement of deferred tax for changes in tax rates	(488)	(11,676)
Total tax credit	(1,862)	(3,778)

Deferred tax

It was announced that the UK Corporation Tax Rate will rise from its current rate of 19% to 25% with effect from April 2023. UK deferred tax balances as at 31 December 2022 are measured at the rate that the respective assets and liabilities will reverse.

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

9 Income tax (continued)

2022 (Unaudited)	Asset £ 000
Accelerated tax depreciation	10.144
Provisions	246
Tax losses carry-forwards	19.321
	29,711

2021 (Audited)	Asset £ 000
Accelerated tax depreciation	9,110
Provisions	78
Tax losses carry-forwards	17,293
	26,481

Deferred tax movement during the year (unaudited):

	At 1 January 2022 £ 000	Recognised in income £ 000	At 31 December 2022 £ 000
Accelerated tax depreciation	9,110	1,034	10,144
Provisions	78	168	246
Tax losses carry-forwards	17,293	2,028	19,321
Net tax assets	26,481	3,230	29,711

Deferred tax movement during the prior year (audited):

	At 1 January 2021 £ 000	Recognised in income £ 000	At 31 December 2021 £ 000
Accelerated tax depreciation	2,181	6,929	9,110
Provisions	-	78	78
Tax losses carry-forwards	11,110	6,183	17,293
Net tax assets	13,291	13,190	26,481

9 Income tax (continued)

The Company did not recognise deferred tax assets as follows. These deferred tax assets have not been recognised in these accounts as it is not expected that the Group's future profitability will be sufficient to utilise them.

	(Unaudited) 2022 £000	(Audited) 2021 £000
Accelerated tax depreciation	4	-
Provisions	46	319
Losses	22,920	22,920
Unrecognised deferred tax assets	22,970	23,239

10 Intangible assets

	Trademarks, patents and licenses £ 000	Internally generated software development costs £ 000	Software under construction £ 000	Computer software £ 000	Total £ 000
Cost or valuation					
At 1 January 2022 (Audited)	46	2,315	3,967	18,208	24,536
Additions	-	1,024	-	609	1,633
Disposals	-	(32)	(756)	(4,511)	(5,299)
Transfer to group entities	-	-	(2,762)	(3,977)	(6,739)
At 31 December 2022	46	3,307	449	10,329	14,131
Amortisation					
At 1 January 2022 (Audited)	46	1,695	-	16,370	18,111
Charge for the year	-	817	-	1,384	2,201
Amortisation eliminated on disposals	-	(32)	-	(4,511)	(4,543)
Transfer to group entities	-	-	-	(3,927)	(3,927)
At 31 December 2022	46	2,480	-	9,316	11,842
Carrying amount					
At 31 December 2022	-	827	449	1,013	2,289
At 31 December 2021 (Audited)	-	620	3,967	1,838	6,425

11 Property, plant and equipment

	Leasehold improvements £ 000	Fixtures and fittings £ 000	Computer equipment £ 000	Furniture and office equipment £000	Total £ 000
Cost or valuation					
At 1 January 2022 (Audited)	145	571	15,387	562	16,665
Additions	56	-	7	-	63
Disposals	(201)	(571)	(3,742)	(543)	(5,057)
Transfer to group entities	-	-	(2,738)	(19)	(2,757)
At 31 December 2022	-	-	8,914	-	8,914
Depreciation					
At 1 January 2022 (Audited)	40	475	14,567	530	15,612
Charge for the year	112	59	314	23	508
Disposals	(152)	(534)	(3,737)	(540)	(4,963)
Transfer to group entities	-	-	(2,433)	(13)	(2,446)
At 31 December 2022	-	-	8,711	-	8,711
Carrying amount					
At 31 December 2022	-	-	203	-	203
At 31 December 2021 (Audited)	105	96	820	32	1,053

12 Leases

Right-of-use assets

The table below provides a schedule of the movements in the carrying amount of the right-of-use assets held on the Statement of Financial Position during the year ended 31 December 2022.

	Property £ 000	Non-property £ 000	Total £ 000	Lease Liabilities £ 000
At 1 January 2022 (Audited)	61	1,130	1,191	(4,601)
Terminations and modifications	(6)	39	33	1,714
Depreciation charged for the year	(54)	(511)	(565)	-
Interest expense	-	-	-	(70)
Lease payments	-	-	-	623
At 31 December 2022	1	658	659	(2,334)
Non-current lease liabilities	-	-	-	(1,805)
Current lease liabilities	-	-	-	(529)

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

	(Audited) Property £ 000	(Audited) Non-property £ 000	(Audited) Total £ 000	(Audited) Lease Liabilities £ 000
At 1 January 2021	243	1,318	1,561	(6,016)
On business combinations	-	296	296	(296)
Terminations and modifications	(40)	(7)	(47)	1,148
Depreciation charged for the year	(142)	(477)	(619)	-
Interest expense	-	-	-	(138)
Lease payments	-	-	-	701
At 31 December 2021	61	1,130	1,191	(4,601)
Non-current lease liabilities	-	-	-	(4,015)
Current lease liabilities	-	-	-	(586)

12 Leases (continued)

	(Unaudited) 2022 £ 000	(Audited) 2021 £ 000
Expense relating to variable lease payments not included in the measurement of the lease liability (recognised within administrative expenses)		
Service charges	32	30
Other	22	55
	54	85

During the year ended 31 December 2022, the total cash outflows for leases was £0.6m (2021: £0.8m (audited)).

Maturity analysis

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

	(Unaudited) 2022 £ 000	(Audited) 2021 £ 000
Within one year	1,087	1,623
In one to five years	1,405	3,249
In over five years	249	561
Total undiscounted value	2,741	5,433

13 Investments in subsidiaries

	£ 000
Cost or valuation	
At 1 January 2022 (Audited)	515,534
Additions	6,811
At 31 December 2022	522,345
Provision for impairment	
At 1 January 2022 (Audited)	242,900
Impairment	37
At 31 December 2022	242,937
Carrying amount	
At 31 December 2022	279,408
At 31 December 2021 (Audited)	272,634

13 Investments in subsidiaries (continued)

During the year, the Company received a share capital contribution from its parent, Ardonagh Finco plc, to support the acquisition of one of the Group subsidiaries, Hooper Dolan.

The Company utilised its share capital contribution by immediately investing the full amount of £6.8m within its subsidiary.

Impairment review

The Fair Value Less Costs to Dispose ("FVLCD") is considered a Level 3 valuation in the fair value hierarchy, as it is not based on observable market data. The FVLCD has been derived first by performing a valuation of the wider Group and then by allocating that valuation to each subsidiary's investment.

The Group's FVLCD has been calculated by adding the value derived for the Group's equity to the fair value of its outstanding debt, less a reasonable allowance for costs to sell. The Group's equity valuation is based on a weighted average value of the price per share paid in two recent shareholder transactions. Full details and sensitivity analysis is provided in the financial statements of the Group.

The FVLCD of each investment in subsidiaries was derived based on its net assets and by allocating its relative proportion of the Group FVLCD, on the basis of forecast EBITDA attributable to that entity for 2022, as derived from the three-year plan. This most accurately reflects the perspective of external market participants as it incorporates the Company's future investment plans and strategic objectives for each investment in subsidiaries.

Following the above year-end review, the Company is required to impair its investments.

Subsidiaries

Details of the direct subsidiaries as at 31 December 2022 are as follows. A comprehensive list of all direct and indirect subsidiaries can be found in the financial statements of The Ardonagh Group Holdings Limited.

Unless stated otherwise, the registered office of the subsidiaries detailed below is: 2 Minster Court, Mincing Lane, London, EC3R 7PD:

Name of subsidiary	**Principal activity**	**Country of incorporation and principal place of business**	**Proportion of ownership interest and voting rights held**	
			2022	**2021**
Broker Network Holdings Limited (1)	Holding company	England	100%	100%
Cullum Capital Ventures Limited (and subsidiaries)	Holding company	England	100%	100%

13 Investments in subsidiaries (continued)

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held 2022	2021
Towergate Financial (Group) Limited (and subsidiaries)	Holding company	England	85.1%	85.1%
Towergate Risk Solutions Limited (and subsidiaries)	Holding company	England	100%	100%
Mastercover Insurance Services Limited (2)	Insurance broker	England	100%	100%
Ardonagh Overseas Investments Limited (and subsidiaries)	Holding company	England	100%	100%
Nevada 5 Topco Limited (and subsidiaries) (3)	Holding company	Cayman Islands	100%	100%
Ardonagh Data Services Limited (and subsidiaries) (4)	Data processing	Ireland	100%	0%
Chase Templeton Holdings Limited (and subsidiaries) (5)	Dormant company	England	100%	0%
Ardonagh Corporate Secretary Limited	Holding company	England	100%	0%

The Company holds ordinary shares in all of the above investments. No other class of share is held.

(1) Registered office address is Hexagon House Grimbald Crag Close, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ
(2) Registered office address is 2 Oaks Court, Warwick Road, Borehamwood, Hertfordshire, England, WD6 1GS.
(3) Registered office address is PO BOX 309 Ugland House, Grand Cayman Ky1-1104, Cayman Islands.
(4) Registered office address is 9 Eastgate Avenue Eastgate Business Park, Little Island, Co Cork, T45 TN92, Ireland.
(5) Registered office address is 5 Arkwright Court Blackburn Interchange, Darwen, BB3 0FG.

14 Trade and other receivables

	(Unaudited) 2022 £ 000	(Audited) 2021 £ 000
Receivables from other Group companies	543,657	885,397
Loans to related parties	340,766	334,874
Accrued income	470	298
Prepayments	2,182	7,518
Other receivables	56,299	47,607
Total current trade and other receivables	943,374	1,275,694

During the year, the Company made no additional provision against receivables from related parties (2021: £0.1m (audited)). *The total provision at the year end was £41.4m (2021: £41.4m (audited)). For more details on related* party balances please see note 22.

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

There are no balances included in trade and other receivables that are falling due after more than one year which require separate disclosure.

15 Cash and cash equivalents

	(Unaudited) 2022 £ 000	(Audited) 2021 £ 000
Own funds	4,746	123,191
Own funds - restricted	252	16
	4,998	123,207

Restricted own funds comprise of deposit accounts.

16 Trade and other payables

	(Unaudited) 2022 £ 000	(Audited) 2021 £ 000
Non-current trade and other payables		
Other payables	-	2,817

16 Trade and other payables (continued)

	(Unaudited) 2022 £ 000	(Audited) 2021 £ 000
Current trade and other payables		
Trade payables	11,321	10,193
Accrued expenses	7,982	19,090
Amounts due to other Group companies	357,876	794,848
Social security and other taxes	920	4,846
Outstanding defined contribution pension costs	139	1,027
Other payables	111	964
Deferred income	35	62
	378,384	831,030

Amounts due to other Group companies includes balances to related parties for which details can be found in note 22. All of the balances are unsecured, interest free and payable on demand.

17 Borrowings

	(Unaudited) 2022 £ 000	(Audited) 2021 £ 000
Current loans and borrowings		
Interest payable on loan	83,714	72,917
Subordinated loans	122,000	122,000
	205,714	194,917

On 2 April 2015 the Company entered into a subordinated loan agreement with Ardonagh Finco Plc, an immediate parent of the Company. The loan bears interest at a fixed rate of 8.85% per annum and the principal amount (including any interest accrued) is repayable on demand.

18 Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The total cost charged to the Statement of Comprehensive Income of £0.6m (2021: £0.6m (audited)) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans.

As at 31 December 2022, contributions of £0.1m (2021: £1.0m (audited)) due in respect of the current reporting year had not been paid over to the schemes and are included in trade and other payables.

19 Provisions

	Dilapidations £ 000	Onerous lease £ 000	ETV £ 000	Other provisions £ 000	Total £ 000
At 1 January 2022 (Audited)	324	1,277	1,634	7	3,242
Additional provisions made during the year	16	-	1,330	-	1,346
Utilised during the year	(264)	(309)	(2,503)	-	(3,076)
Unwind of discount	-	15	-	-	15
At 31 December 2022	76	983	461	7	1,527
Non-current liabilities	-	674	-	-	674
Current liabilities	76	309	461	7	853

Dilapidations - provides for the estimated amounts payable for dilapidations on each property at the end of the lease term.

Onerous lease - the Company provides for costs incurred on vacant properties, excluding rent costs (which are subject to lease accounting).

ETV - relates to obligations to make redress payments in respect of past pension transfer advice provided by the Towergate Financial companies which are under common control. The balance has transferred to ASL following confirmation from the Financial Conduct Authority that the Past Business Review completed to its satisfaction.

Other provisions - relate to obligations from restructuring the finance function.

The finance charge relating to unwinding of the discount has been charged to the Statement of Comprehensive Income.

20 Share capital

Allotted, called up and fully paid shares

	(Unaudited) 2022		(Audited) 2021	
	No.	£	No.	£
Ordinary A of £0.01 each	33,937,166,125	339,371,661	33,937,166,125	339,371,661
Deferred B of £1,407,307,331 each	1	1,407,307,331	1	1,407,307,331
	33,937,166,126	1,746,678,992	33,937,166,126	1,746,678,992

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

The deferred B share has attached to it the right to receive a fixed, cumulative, preferential dividend from the Company in any amount of 0.000001% of the nominal value of the B deferred share per annum on a return of capital (including winding up). The holder of the Deferred B share has the right to receive £0.01 per Deferred B share (should more be issued) for each £0.10 received by a holder of Ordinary A shares per Ordinary A share, provided that each holder of an Ordinary A share receives the full nominal amount paid up on each Ordinary A share held and a further £1,000,000 per Ordinary A share held. The Deferred B share does not have voting rights or the right to receive notice of general meetings of the Company attached to it, the Deferred B share does not confer any rights of redemption.

21 Commitments

As of 19 August 2021, the list of group company guarantors was reduced to Ardonagh Finco Plc and Ardonagh Services Limited as guarantors under both the £1.575 billion Senior Facilities Agreement and the $500m Senior unsecured Notes, with Ardonagh Midco 3 Plc being the Issuer of the private debt and a guarantor of the public notes.

22 Related party transactions

Business was conducted. on an arm's length basis, within The Ardonagh Group Holdings Limited group of companies. The Company has taken the exemption under FRS 101 not to disclose transactions with fellow wholly owned subsidiaries or key management personnel.

During the year the Company entered into transactions, in the ordinary course of business, with a number of related parties. The Company has provided services and incurred expenses on behalf of the related parties and recharged costs to them. The table below shows the transactions and balances with related parties, entities that form part of the Group but are not wholly owned by Ardonagh Group Holdings Limited.

	(Unaudited) 2022 Paid to £ 000	(Unaudited) 2022 Received from £ 000	(Unaudited) 2022 (Due to) /receivable from at year end £ 000	(Audited) 2021 Paid to £ 000	(Audited) 2021 Received from £ 000	(Audited) 2021 (Due to) /receivable from at year end £ 000
Towergate Financial (London) Limited*	325	-	325	-	-	-
Towergate Financial (West) Limited	-	-	(9,362)	-	(7,573)	(9,362)
Towergate Financial (North) Limited	-	(3,653)	(3,653)	-	-	-
Towergate Financial (Scotland) Limited	-	(10,200)	(10,200)	-	-	-
Towergate Financial (East) Intermediate Limited *	-	-	2,959	-	-	2,959
Towergate Financial (East) Limited	-	-	(9,091)	-	(3,685)	(9,091)
Towergate Financial (West) Holdings Limited *	-	-	4,124	-	-	4,124
Towergate Financial (Scotland) Holdings Limited *	-	-	2,617	-	-	2,617
Towergate Financial (East) Holdings Limited *	6,731	-	6,731	-	-	-
Towergate Financial (North) Holdings Limited *	5,997	-	5,997	-	-	
Towergate Financial (Group) Limited *	-	-	18,592	105	-	18,592
Oyster Risk Solutions Limited	-	(23,380)	981	2,669	-	24,361
Oyster Property Insurance Specialists Limited	-	-	1,482	-	-	1,482

22 Related party transactions (continued)

*During the year, the Company made an additional provision of £Nil (2021: £0.1m (audited)) against receivables from related parties, bringing the total provision to £41.4m (2021: £41.4m (audited)) at the year end, against the receivables from the Towergate Financial Group companies as disclosed in note 6.

23 Parent and ultimate parent undertaking

The Company's immediate parent company is Ardonagh Finco plc 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

24 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.