

GRYPHON GROUP HOLDINGS LIMITED

**Annual report and financial statements for the year ended
31 December 2021**

Registered number: 10091788

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GRYPHON GROUP HOLDINGS LIMITED
Annual report and financial statements 2021
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GRYPHON GROUP HOLDINGS LIMITED
Annual report and financial statements 2021
Directors and advisors for the year ended 31 December 2021

Directors

J D Punter
J A A Samuels
P Mann

Secretary

I E Nash

Registered Office

11 Strand
London
WC2N 5HR
United Kingdom

Auditors

BDO LLP
55 Baker Street
London
W1U 7EU
United Kingdom

GRYPHON GROUP HOLDINGS LIMITED
Annual report and financial statements 2021
Strategic report for the year ended 31 December 2021

Principal activities and business model

Gryphon Group Holdings Limited was incorporated on 30 March 2016. It is a wholly owned subsidiary of GGH (Jersey) Limited (the Parent Company). The Parent Company is a subsidiary of Punter Southall Group Limited.

The Company's primary activity is the provision of services to Guardian Financial Services Limited, another subsidiary of the Parent Company. The Company started to recharge costs to Guardian Financial Services Limited in 2018 when that company commenced activity and has continued to do so since then.

Review of the business

The £2.1m profit reported in 2021 (2020: £4.4m profit) includes £20.8m (2020: £23.0m) of administrative expenses. Throughout 2021 the Company recharged all of these administrative costs to Guardian Financial Services Limited with a 10.0% mark-up. The mark up had been 17.5% throughout 2020.

Administrative expenses include the cost of developing the marketing and other material necessary to support the distribution of new products, costs incurred developing and securing the relationships necessary to trade and costs arising from the administration of the insurance products placed by Guardian Financial Services Limited, an insurance intermediary. The Company spent a further £1.3m (2020: £0.9m) developing software and a further £0.1m (2020: £0.0m) acquiring fixed assets necessary to support the new products. These costs have been capitalised (notes 11 and 12).

The Company continues to develop new products, enhance existing products and improve its operational processes.

Key performance indicator

The performance of the Parent Company and its subsidiaries is monitored as a whole by reference to a number of key indicators. The key performance indicators used in the year were as follows:

	2021	2020
Annual Premium Equivalent*	£11,378,018	£8,061,000
Administrative expenses	£20,816,057	£23,024,478
Average of employees	119	100

*Annual Premium Equivalent is calculated as twelve times the monthly premium of business sold in the period.

Strategy and Future prospects

The Company will continue to improve the services that it provides to Guardian Financial Services Limited, supporting the development of new and improved insurance products and more effective and efficient operating systems and processes. The Company will build on the innovative systems and processes that it has already developed and take advantage of the efficiencies that follow from the increased sales and policies in force.

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Balance sheet

The investment in new systems noted above has contributed to the £2.1m intangible asset that the Company carried at 31 December 2021 (2020: £4.4m) (notes 11).

The recharge of expenses to Guardian Financial Services Limited and management of cash between the subsidiaries of the Parent Company has resulted in the increase in trade and receivables to £24.3m (2020: £19.3m) (note 14).

Occupation and development of the Company's offices gives rise to £0.3m of property, plant and equipment (2020: £0.4m), a £1.0m right of use asset (2020: £1.4m) and £1.6m lease liability (2020: £2.0m) (notes 12 and 13).

Governance

The Company's Board consists of three Non-Executive Directors. The Board meets four times a year on a formal schedule and more frequently as and when it is required to make decisions. At each quarterly meeting the Board reviews the combined trading performance and conduct of the Company and examines risk, control and compliance issues.

The Company's affairs are also subject to oversight by the following Punter Southall Group committees:

- Audit Committee
- Risk Committee
- Remuneration Committee

Risk management framework

The Board is committed to the application of the Risk Management Framework that is applied consistently across all companies in the Punter Southall Group. This Risk Management Framework embeds sound risk management practices. The Company will not only use the Framework to manage and control risks, but will also seek to apply it in its decision making processes. The Board regards active mitigation and management of risk exposures as a business imperative.

The management of the Risk Management Framework is underpinned by an oversight structure, delegated authorities, policies and governing committees. The Risk Management Framework sets out a process for:

- the development of the Company's key risks against its strategic objectives;
- a detailed explanation of the Company's risk appetite;
- an assessment of the inherent risks to the organisation and the likelihood of events occurring;
- the development of controls to monitor and mitigate risks;
- defined management responsibility for each risk and control; and
- an assessment of the residual risk to the Company once the controls have been factored in.

Conduct risk is monitored and managed through the Punter Southall Group Risk Management Framework.

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Strategic report for the year ended 31 December 2021 (*continued*)

Principal risks and uncertainties

The Company's primary activity is the provision of services to Guardian Financial Services Limited, another subsidiary of the Parent Company. In return for those services, Guardian Financial Services Limited pays the Company a fee at the cost plus 10%. Therefore the principal risks and uncertainties of the Company are associated with the ability of Guardian Financial Services Limited to succeed in their objectives such that it generates sufficient sales and thereby income from Scottish Friendly Assurance Company Limited to repay the funding that it has received and the costs recharged to it by the Company.

Covid-19 Pandemic

The Covid-19 pandemic had an adverse impact on the Guardian Financial Services Limited in both 2020 and 2021. Sales dropped off in April 2020 as the country went into the first lock down, but grew consistently from that point so that the sales, measured by Annual Premium Equivalent, ended 2021 at £11.6m were 43% higher than the £8.1m recorded in 2020 – following a 56% increase from 2019 to 2020.

The growth throughout the period of the pandemic benefitted from the successful adoption of new working practices. All of the Company's staff were able to work from home on day 1 of the first lockdown. In addition, bad debt levels have remained low.

Highest quarterly sales so far were recorded in the last quarter of 2021, as the pandemic restrictions started to ease.

The Directors have reviewed the stressed forecasts, projections and associated funding requirements of the Company and its Parent which have been prepared for the period to 31 December 2022 and include underperformance in sales that further disruption from a flare up in the Covid-19 pandemic might cause. The Company has sufficient commitments of resources to fund its businesses and if conditions deteriorate there are a number of actions the Company could take to mitigate that risk, such as reducing discretionary spend.

On behalf of the Board



J A A Samuels
Director

29 April 2022

GRYPHON GROUP HOLDINGS LIMITED
Annual report and financial statements 2021
Directors' report for the year ended 31 December 2021

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

Directors

The Directors who held office during the year are given below:

J D Punter*

J A A Samuels*

P Mann*

*Non-executive

Qualifying third party indemnity provision

The Company has in place qualifying third-party indemnity provisions for the Directors of Gryphon Group Holdings Limited.

Political and charitable donations

During the year the Company made no charitable or political donations (2020: £nil).

Dividends

The Directors do not recommend the payment of a dividend for the year (2020: £nil).

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 UK adopted international accounting standards. 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 adopted international 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GRYPHON GROUP HOLDINGS LIMITED
Annual report and financial statements 2021
Directors' report for the year ended 31 December 2021 (*continued*)

Going concern

The Company provides services to Guardian Financial Services Limited, which is a fellow subsidiary of the Parent Company and an early-stage growth business developing and marketing an insurance proposition. Guardian Financial Services Limited and, by association, the Company faces the normal inherent risks associated with being a growing business. The Guardian-branded insurance products that they promote have been available to the whole of the market of financial advisers since June 2018 and sales have grown consistently since that point. But whilst the business continues to invest in growth and until the value of monthly commissions and administration fees receivable on policies in force exceeds monthly costs, the business, operated by the Parent Company and its subsidiaries, will continue to require funding. Guardian Financial Services Limited has facilities in place that allow it to draw funding, some of which is secured on some of the future value of new business, but in the immediate future Guardian Financial Services Limited will require additional funding to cover its costs and repay facilities as it grows. The Parent Company also receives funding from Punter Southall Group Limited, which it provides to Guardian Financial Services Limited.

The Company's revenue is received from Guardian Financial Services Limited and therefore its status as a going concern depends on the ongoing success of that company.

The Directors have reviewed stressed forecasts, projections and associated funding requirements of the Parent Company and its subsidiaries, which have been prepared for the period to 30 June 2023 and include substantial underperformance in sales.

In order to mitigate against the potential of a funding shortfall:

- management have obtained a letter of support from its Parent Company, who have confirmed that they will provide financial support to the Company, for at least 12 months from the date that these Financial Statements are approved, sufficient to fund its forecast liabilities as they fall due for payment, and
- the group of Guardian companies has provided and continues to provide weekly liquidity cash flow forecasts to Punter Southall Group Limited.

It should be noted that the letter of support provided by its Parent Company is not legally binding and if the Parent Company were to withdraw its support to the Company at any time, then the Company would need to obtain alternative funding. These conditions represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and therefore that it might be unable to realise its assets and discharge its liabilities in the ordinary course of business.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements and the financial statements do not include any adjustments should the going concern basis of preparation be inappropriate.

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Annual report and financial statements 2021
Directors' report for the year ended 31 December 2021 (*continued*)

Statement of information provided to the auditors

All Directors have taken all appropriate steps to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

On behalf of the Board



J A A Samuels
Director

29 April 2022

GRYPHON GROUP HOLDINGS LIMITED
Annual report and financial statements 2021
Independent auditors' report to the members of Gryphon Group Holdings Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Gryphon Group Holdings Limited ("the Company") for the year ended 31 December 2021 which comprise the Income Statement and the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to Note 4 in the financial statements, which indicates that the Company is reliant on the parent for financial support. As stated in Note 4, these events or conditions, along with other matters set out in Note 4, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

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

Other information

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

GRYPHON GROUP HOLDINGS LIMITED
Annual report and financial statements 2021
Independent auditors' report to the members of Gryphon Group Holdings Limited
(continued)

Other information (continued)

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.

Other Companies Act 2006 reporting

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 material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you 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. ;or

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, 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.

GRYPHON GROUP HOLDINGS LIMITED
Annual report and financial statements 2021
Independent auditors' report to the members of Gryphon Group Holdings Limited
(continued)

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.

Extent to which the audit was 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 have obtained an understanding of the legal and regulatory frameworks applicable to the entity and we have enquired of management to identify how the entity is complying with those frameworks and whether there were any known instances of non-compliance.

We considered the entity's control environment that has been established to prevent, detect and deter fraud. We then assessed the risk of susceptibility of the entity's financial statements to material misstatement, including how fraud might occur.

In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments in the general ledger.

We consider the capitalisation and valuation of intangible assets to be a key risk area for potential fraudulent financial reporting given the high level of judgement involved. Our audit procedures have focused on significant judgements made by management and we have evaluated whether there was any evidence of bias that represented a risk of material misstatement due to fraud.

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and discussed how and where these might occur and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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Independent auditors' report to the members of Gryphon Group Holdings Limited
(continued)

A further description of our responsibilities is available on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.

DocuSigned by:


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John Perry (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

London, UK

Date 29 April 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

GRYPHON GROUP HOLDINGS LIMITED
Annual report and financial statements 2021
Income statement and statement of comprehensive income

	Note	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Turnover	6	23,144,588	27,358,657
Administrative expenses		<u>(20,816,057)</u>	<u>(23,024,478)</u>
Operating profit	7	2,328,531	4,334,179
Finance expense	9	<u>(224,478)</u>	<u>(259,485)</u>
Profit on ordinary activities before taxation		2,104,053	4,074,694
Tax on profit on ordinary activities	10	-	283,210
Profit on continuing activities after taxation		<u>2,104,053</u>	<u>4,357,904</u>
Total comprehensive profit for the year		<u>2,104,053</u>	<u>4,357,904</u>

All items in the above statements derive from continuing operations.

The notes on pages 16 to 28 form part of these financial statements.

GRYPHON GROUP HOLDINGS LIMITED
Annual report and financial statements 2021
Statement of financial position
Registered number: 10091788

	Note	At 31 December 2021 £	At 31 December 2020 £
Non-current assets			
Intangible assets	11	2,060,811	4,407,663
Property, plant and equipment	12	375,056	437,435
Right of use assets	13	1,014,879	1,401,141
		<u>3,450,746</u>	<u>6,246,239</u>
Current assets			
Trade and other receivables	14	24,303,193	19,306,398
Cash and cash equivalents		383,664	99,610
		<u>24,686,857</u>	<u>19,406,008</u>
Total assets		28,137,603	25,652,247
Current liabilities			
Lease Liabilities	13	(1,556,125)	(1,975,269)
Trade and other payables	15	(3,794,655)	(2,994,207)
Total liabilities		<u>(5,350,780)</u>	<u>(4,969,476)</u>
Net assets		<u>22,786,823</u>	<u>20,682,771</u>
Equity			
Share capital	16	30,637,960	30,637,960
Retained losses	17	(7,851,137)	(9,955,189)
Total equity		<u>22,786,823</u>	<u>20,682,771</u>

The financial statements were approved by the Board and authorised for issue on 29 April 2022.
They were signed on behalf of the Board by:



J A A Samuels
Director

The notes on pages 16 to 28 form part of these financial statements.

GRYPHON GROUP HOLDINGS LIMITED
Annual report and financial statements 2021
Statement of changes in equity
Registered number: 10091788

	Note	Share capital £	Retained losses £	Total equity £
Balance as at 1 January 2020		30,637,960	(14,313,094)	16,324,866
Profit for the year		-	4,357,904	4,357,904
Balance as at 31 December 2020		30,637,960	(9,955,190)	20,682,770
Balance as at 1 January 2021		30,637,960	(9,955,190)	20,682,770
Profit for the year		-	2,104,053	2,104,053
Balance as at 31 December 2021		30,637,960	(7,851,137)	22,786,823

The notes on pages 16 to 28 form part of these financial statements.

GRYPHON GROUP HOLDINGS LIMITED
Annual report and financial statements 2021
Statement of cash flows

	Note	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Net cash inflow from operating activities	20	1,648,488	666,381
Investing activities:			
Investment in intangible assets	11	(1,271,064)	(897,479)
Purchase of property, plant and equipment	12	(93,370)	(7,815)
Net cash used in investing activities:		(1,364,434)	(905,294)
Net increase/ (decrease) in cash and cash equivalents		284,054	(238,913)
Cash and cash equivalents at the beginning of the year		99,610	338,523
Cash and cash equivalents at the end of the year		383,664	99,610

The notes on pages 16 to 28 form part of these financial statements.

GRYPHON GROUP HOLDINGS LIMITED
Annual report and financial statements 2021
Notes to the financial statements for the period ended 31 December 2021

1. General information

Gryphon Group Holdings Limited is a company incorporated in the United Kingdom, with Company registration number 10091788 and is a company limited by shares. The registered office is 11 Strand, London WC2N 5HR, United Kingdom. The nature of the Company's operations and its principal activities are detailed in the Strategic report.

2. New standards, interpretations and amendments effective from 1 January 2021

New standards, interpretations and amendments that have been adopted in the annual financial statements for the year ended 31 December 2021, but not had a significant effect on the Company are:

- *COVID-19 Related Rent Concessions beyond 30 June 2021* (Amendments to IFRS 16);
- *Interest Rate Benchmark Reform – IBOR 'phase 2'* (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

3. New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2022:

- *Onerous Contracts – Cost of Fulfilling a Contract* (Amendments to IAS 37);
- *Property, Plant and Equipment: Proceeds before Intended Use* (Amendments to IAS 16);
- *Annual Improvements to IFRS Standards 2019-2021* (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- *References to Conceptual Framework* (Amendments to IFRS 3).

The following amendments are effective for the period beginning 1 January 2023:

- *Disclosure of Accounting Policies* (Amendments to IAS 1 and IFRS Practice Statement 2);
- *Definition of Accounting Estimates* (Amendments to IAS 8); and
- *Deferred Tax Related to Assets and Liabilities arising from a Single Transaction* (Amendments to IAS 12).

The Company does not believe that these new standards and amendments have a significant impact on its results.

GRYPHON GROUP HOLDINGS LIMITED
Annual report and financial statements 2021
Notes to the financial statements for the period ended 31 December 2021 (*continued*)

4. Accounting policies

Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with UK adopted international accounting standards. The functional and presentational currency of the Company is Pound Sterling.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Going concern

The Company provides services to Guardian Financial Services Limited, which is a fellow subsidiary of the Parent Company and an early-stage growth business developing and marketing an insurance proposition. Guardian Financial Services Limited and, by association, the Company, faces the normal inherent risks associated with being a growing business. The Guardian-branded insurance products that they promote have been available to the whole of the market of financial advisers since June 2018 and sales have grown consistently since that point. But whilst the business continues to invest in growth and until the value of monthly commissions and administration fees receivable on policies in force exceeds monthly costs, the business, operated by the Parent Company and its subsidiaries, will continue to require funding. Guardian Financial Services Limited has facilities in place that allow it to draw funding, some of which is secured on some of the future value of new business, but in the immediate future Guardian Financial Services Limited will require additional funding to cover its costs and repay facilities as it grows. The Parent Company receives funding from Punter Southall Group Limited, which it provides to Guardian Financial Services Limited.

The Company's revenue is received from Guardian Financial Services Limited and therefore its status as a going concern depends on the ongoing success of that company.

The Directors have reviewed stressed forecasts, projections and associated funding requirements of the Parent Company and its subsidiaries, which have been prepared for the period to 30 June 2023 and include substantial underperformance in sales.

In order to mitigate against the potential of a funding shortfall:

- management have obtained a letter of support from its Parent Company, who have confirmed that they will provide financial support to the Company, for at least 12 months from the date that these Financial Statements are approved, sufficient to fund its forecast liabilities as they fall due for payment, and
- the group of Guardian companies has provided and continues to provide weekly liquidity cash flow forecasts to Punter Southall Group Limited.

GRYPHON GROUP HOLDINGS LIMITED
Annual report and financial statements 2021
Notes to the financial statements for the period ended 31 December 2021 (*continued*)

4. Accounting policies (continued)

Going concern (continued)

It should be noted that the letter of support provided by its Parent Company is not legally binding and if the Parent Company were to withdraw its support to the Company at any time, then the Company would need to obtain alternative funding. These conditions represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and therefore that it might be unable to realise its assets and discharge its liabilities in the ordinary course of business.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements and the financial statements do not include any adjustments should the going concern basis of preparation be inappropriate.

Taxation

Tax expense comprises current and deferred tax.

Current tax

Current tax assets and liabilities comprise those obligations to, or claim from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date.

Deferred tax

Deferred tax is provided in respect of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill (if any) or from the initial recognition of other assets and liabilities in a transaction, other than a business combination (if any), that affects neither the tax nor the accounting profit.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to be applied to their respective period of realisation, provided they are enacted or substantially enacted at the reporting date.

Where applicable, deferred tax assets and liabilities are offset when there is a legally enforceable right to set off, when they relate to income taxes levied by the same taxation authority and the Company intends to settle on a net basis.

Changes in deferred tax assets and liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity, in which case the related deferred tax is also charged or credited directly to equity.

GRYPHON GROUP HOLDINGS LIMITED
Annual report and financial statements 2021
Notes to the financial statements for the period ended 31 December 2021 (*continued*)

4. Accounting policies (continued)

Trade and other payables

Trade payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest method. The effective interest rate method allocates interest expense over the relevant period by applying the effective interest rate to the carrying amount of the liability.

Financial instruments

In accordance with IFRS 9, Financial assets and financial liabilities are recognised on the statement of financial position when the Company becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

A financial asset is classified as a fair value through the profit or loss (FVTPL) if:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management strategy.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in the income statement.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred raising those borrowings. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised over the period of the borrowings using the effective interest method.

Cash at bank and in hand

Cash comprises of cash in hand, cash at bank and demand deposits.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate and only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

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Annual report and financial statements 2021
Notes to the financial statements for the period ended 31 December 2021 (*continued*)

4. Accounting policies (*continued*)

*Property, plant and equipment (*continued*)*

Depreciation is provided to write off the cost, less estimated residual values, of all property, plant and equipment evenly over their expected useful lives. It is calculated at the following rates:

- Leasehold improvements – 14.3% per annum
- Computer equipment – 33.3% per annum
- Fixtures and fittings – 33.3% per annum

Intangible assets

Intangible assets, comprising the software systems necessary to support the administration of insurance products, are those that are developed internally, considered separable, and where it is probable that they will produce future economic benefits for the Company that are based on reasonable and supportable assumptions. They are recognised at their cost when they meet the requirement of being technically and commercially feasible. Internally developed software has an estimated useful life of three years from the point that it is brought into use and is amortised on a straight-line basis.

Right of use assets and Lease liabilities

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

5. Critical accounting estimates and judgements

The preparation of financial statements in compliance with UK adopted international accounting standards requires the Company's Directors to make certain critical accounting estimates and exercise judgements, as well as making certain assumptions and estimates regarding the future. These estimates and judgements are continually evaluated based on expectations of future events that are believed to be reasonable under the circumstances. In the future actual experience may differ from these estimates and assumptions. The only estimates and assumptions that are considered to have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are those related to the impairment of tangible and intangible assets and the assessment of whether the Company is a going concern.

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Annual report and financial statements 2021
Notes to the financial statements for the period ended 31 December 2021 (*continued*)

5. Critical accounting estimates and judgements (continued)

At each balance sheet date, the Company reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at the revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been had no impairment less been recognised for the asset in prior years. A reversal of impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at the revalued amount, in which case the impairment loss is treated as a revaluation increase.

6. Turnover

On 1 August 2018, prior to the launch to the whole of market later that month, the Company started to recharge Guardian Financial Services Limited for the services that it provides to support the activities of that company. Recharge income has been classified as income.

7. Operating profit

	Year ending December 2021 £	Year ending December 2020 £
<i>Operating profit is stated after charging:</i>		
Staff costs (note 8)	7,893,095	7,186,922
Amortisation of intangible assets (note 11)	3,617,916	6,300,944
Depreciation of property, plant and equipment (note 12)	155,748	282,301
Amortisation of right of use assets (note 13)	204,094	218,343

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Annual report and financial statements 2021
Notes to the financial statements for the period ended 31 December 2021 (continued)

7. Operating profit (continued)

Auditors' remuneration of £25,294 (2020: £24,205) was paid in respect of the Company, £14,531 (2020: £13,905) in respect of the audit of the Parent Company and £51,191 (2020: £48,987) and £nil (2020: £nil) in respect of the audit of its other subsidiaries, Guardian Financial Services Limited and Guardian Assurance Limited. Guardian Assurance Limited has been dormant since 2019. Tax compliance work of £16,524 (2020: £10,440) and R&D claim work of £nil (2020: £25,000) were also paid to the Company's auditor during the year.

8. Staff costs

	Year ending December 2021 £	Year ending December 2020 £
<i>Staff costs (including Directors) consist of:</i>		
Wages and salaries	6,639,455	6,009,034
Social security costs	748,143	720,580
Other employee benefits – insurances	103,951	96,972
Pension costs	401,546	360,336
	<u>7,893,095</u>	<u>7,186,922</u>
The average number of employees (including Directors) employed by the Company during the period was:	119	100

Included in staff costs above were Directors emoluments as listed below:

	Year ending December 2021 £	Year ending December 2020 £
Aggregate emoluments	125,000	122,500
Pension costs	-	-
	<u>125,000</u>	<u>122,500</u>
Highest-paid Director		
Aggregate emoluments	125,000	122,500
Pension costs	-	-
	<u>125,000</u>	<u>122,500</u>

9. Finance expense

	Year ending December 2021 £	Year ending December 2020 £
Finance expense on lease liabilities (note 13)	218,776	254,880
Bank charges	5,702	4,605
	<u>224,478</u>	<u>259,485</u>

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Annual report and financial statements 2021
Notes to the financial statements for the period ended 31 December 2021 (continued)

10. Tax on profit on ordinary activities

	Year ending December 2021 £	Year ending December 2020 £
Total tax credit	<u>-</u>	<u>283,210</u>

The tax credit can be reconciled to the profit for the period as follows:

	Year ending December 2021	Year ending December 2020
Profit on ordinary activities before tax	<u>2,104,053</u>	<u>4,074,694</u>
Profit before tax multiplied by the effective rate of corporation tax in the UK of 19.00% (2019: 19.00%)	399,770	774,192
Effects of:		
Expenses not deductible for tax purposes	(18,606)	30,836
Excess of capital allowances over depreciation	(11,854)	26,902
Group relief claimed	(368,449)	(831,930)
Movement in temporary differences	(861)	-
Research and development claim	-	(283,210)
Changes in tax rates	-	-
Total tax for period	<u>-</u>	<u>(283,210)</u>

In 2021, the Company received £160,361 and £122,849 from HMRC in respect of successful claims for research and development costs incurred in the periods ending 31 December 2018 and 31 December 2019 respectively.

There is an unrecognised deferred tax asset of £3,593,455 (2020: £3,267,581) in relation to losses for the year. This has not been recognised as it is not certain that these losses will be utilised in future periods.

GRYPHON GROUP HOLDINGS LIMITED**Annual report and financial statements 2021****Notes to the financial statements for the period ended 31 December 2021 (continued)****11. Intangible assets**

	Software
<i>Cost</i>	£
Balance at 1 January	19,441,862
Additions	1,271,064
Balance at 31 December	20,712,926
<i>Accumulated amortisation</i>	
Balance at 1 January	15,034,199
Amortisation charge for the year	3,617,916
Balance at 31 December	18,652,115
<i>Net book value</i>	
At 31 December 2021	2,060,811
At 31 December 2020	4,407,663

Internally developed software assets include the cost of developing the software systems necessary to support the new products. These assets allow the Company to provide better services to a fellow subsidiary of the parent company, Guardian Financial Services Limited, and thereby generate greater future income from management charges and make a positive return on the cost invested. This assessment is supported by the plans of the business.

12. Property, plant and equipment

	Computer equipment	Leasehold improvements	Fixtures & fittings	Total
<i>Cost</i>	£	£	£	£
Balance at 1 January	864,177	763,113	-	1,627,290
Additions	74,195	-	19,174	93,369
Balance at 31 December	938,372	763,113	19,174	1,720,659
<i>Accumulated depreciation</i>				
Balance at 1 January	828,914	360,941	-	1,189,855
Depreciation charge for the year	41,714	109,016	5,018	155,748
Balance at 31 December	870,628	469,957	5,018	1,345,603
<i>Net book value</i>				
At 31 December 2021	67,744	293,156	14,156	375,056
At 31 December 2020	35,263	402,172	-	437,435

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Annual report and financial statements 2021
Notes to the financial statements for the period ended 31 December 2021 (continued)

13. Right of Use Assets and Lease liabilities

	Right of Use Assets	Lease liabilities
	£	£
Balance at 1 January 2021	1,401,141	(1,975,269)
Amortisation/ Finance expense	(204,094)	(218,776)
Rent payments	-	455,752
Renegotiation of lease terms	(182,168)	182,168
Balance at 31 December 2021	1,014,879	(1,556,125)

A renegotiation of the leases for each of the three floors that the Company occupies resulted in a reduction to future payments effective from 23 July 2021 and prompted one off reductions to both the Right of Use Asset and Lease Liabilities and a reduction to future Amortisation and Finance expenses.

14. Trade and other receivables

	2021	2020
	£	£
Amounts due from Group undertakings	23,648,362	18,360,674
Prepayments and accrued income	654,831	662,514
Corporation tax receivable	-	283,210
	24,303,193	19,306,398

See note 18 for more details about Amounts due from Group undertakings. No interest accrues on Amounts due from Group undertakings which are recoverable on demand, when requested. Corporation tax receivable is recoverable within six months.

15. Trade and other payables

	2021	2020
	£	£
Trade creditors	1,314,198	362,631
Amounts due to Group undertakings	987,247	665,622
Accruals and deferred income	1,173,488	1,678,216
Taxation and social security	319,722	287,738
	3,794,655	2,994,207

See note 18 for more detail about Amounts due to Group undertakings.

GRYPHON GROUP HOLDINGS LIMITED**Annual report and financial statements 2021****Notes to the financial statements for the period ended 31 December 2021 (continued)****16. Called up share capital**

	2021	2020
	£	£
<i>Authorised, allotted, called up and fully paid</i>		
306,379,600,000 (2020: 306,379,600,000) ordinary shares of £0.0001 each	30,637,960	30,637,960
	<u>30,637,960</u>	<u>30,637,960</u>

Transaction costs of £130,948 were incurred raising capital in 2017 and continue to be included as a cost of equity.

17. Reserves

The following describes the nature and purpose of each reserve within equity:

<u>Reserve</u>	<u>Description and purpose</u>
Share capital	Nominal value of share capital subscribed for.
Retained losses	Net gains and losses and transactions with owners not recognised elsewhere.

18. Related party transactions

During the year the Company (incurred) and recovered administration costs (to) and from related parties as follows:

	2021	2020
	£	£
Guardian Financial Services Limited	23,144,588	27,358,657
Punter Southall Governance Services Limited	293,669	255,945
Punter Southall Group Limited	(247,136)	(240,147)
Punter Southall Defined Contribution Consulting Limited	(7,402)	(7,600)
Red Arc Limited	-	(4,345)

Amounts payable to related parties were as follows:

	2021	2020
	£	£
Punter Southall Group Limited	987,247	661,623
Punter Southall Defined Contribution Consulting Limited	-	4,000
	<u>987,247</u>	<u>665,623</u>

Amounts recoverable from related parties were as follows:

	2021	2020
	£	£
Guardian Financial Services Limited	23,648,362	18,360,674
	<u>23,648,362</u>	<u>18,360,674</u>

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Annual report and financial statements 2021
Notes to the financial statements for the period ended 31 December 2021 (continued)

18. Related party transactions (continued)

The companies listed above are all part of the Punter Southall Group, of which Punter Southall Group Limited is the ultimate Parent Company. No interest accrues on amounts payable to or recoverable from group undertakings all of which are short term balances and repayable on demand.

19. Management of capital

Capital is considered to be the reserves and ordinary share capital in issue:

	2021	2020
	£	£
Ordinary shares	30,637,960	30,637,960
Retained losses	(7,851,137)	(9,955,189)
	<u>22,786,823</u>	<u>20,682,771</u>

Company objectives when managing capital are:

- To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- To provide an adequate return to shareholders by pricing services commensurately with the level of risk.

The Company is not subject to externally imposed capital requirements other than the minimum share capital required by the Companies Act 2006, with which it complies.

The period end capital position is reported to the operational Board on a monthly basis. The capital position is also given due consideration when corporate plans are prepared, calculating the future requirements based upon the three-year financial forecast.

20. Net cash inflow from operating activities

	2021	2020
	£	£
Profit for the year	2,104,053	4,357,904
Adjustments for:		
Amortisation of intangible assets (note 11)	3,617,916	6,300,944
Depreciation of property, plant and equipment (note 12)	155,748	282,301
Amortisation of right of use assets (note 13)	204,094	218,343
Reduction to right of use assets - renegotiation of terms (note 13)	182,168	-
Increase trade and other receivables other than tax-related (note 14)	(5,280,005)	(9,689,257)
Decrease/ (increase) in tax-related receivables (note 14)	283,210	(112,314)
Increase/ (decrease) in trade and other payables (note 15)	800,448	(490,669)
Movement in value of lease liabilities (note 13)	(419,144)	(200,871)
Net cash inflow from operating activities	<u>1,648,488</u>	<u>666,381</u>

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Annual report and financial statements 2021
Notes to the financial statements for the period ended 31 December 2021 *(continued)*

21. Financial instruments

The key financial risk faced by the Company is liquidity risk. The liquidity of the Company and the Parent Company are monitored together on a regular basis.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Parent Company holds credit facilities and subscription agreements to meet its commitments and those of the Company. The commitments of the Company and those of the Parent Company and progress against the business plan are monitored closely to ensure that the conditions of credit facilities are met and sufficient credit is accessed. The Parent Company has provided a letter of support to the Company to the effect that it will continue to provide the funds necessary to meet its forecast commitments as they fall due for at least 12 months from the date that these Financial Statements are approved (see note 4).

22. Immediate and ultimate Parent Company

The immediate Parent Company is GGH (Jersey) Limited, a company incorporated in Jersey.

The Company's ultimate Parent and controlling undertaking is Punter Southall Group Limited, an entity incorporated in the United Kingdom. Punter Southall Group Limited is the Parent of the largest group of which the Company is a member.

Copies of the financial statements of Punter Southall Group Limited can be obtained from the Company Secretary: Punter Southall Group Limited, 11 Strand, London WC2N 5HR United Kingdom.