Registration number: 10735116

Ardonagh Midco 3 plc

Annual Report and Financial Statements

for the Year Ended 31 December 2021

Ardonagh Midco 3 plc

Contents

Ardonagh Midco 3 plc

Company Information

Directors	P N Butler
	D Cougill
	V A Dombalagian
	S French
	D C Ross
	J I Tiner
	S Babikian
	M W Raino
Company secretary	Ardonagh Corporate Secretary Limited
Registered office	2 Minster Court Mincing Lane London EC3R 7PD United Kingdom
Auditor	Deloitte LLP 1 New Street Square London EC4A 3HQ United Kingdom

Ardonagh Midco 3 plc

Strategic Report for the Year Ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021 for Ardonagh Midco 3 plc ("the Company"). The Strategic Report provides a review of the business for the financial year and describes how the directors manage risks. The report outlines the 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. Following significant new equity investment as disclosed in note 19, the Company is now part of a new holding company structure. Prior to this and as at 31 December 2021, the Company was part of The Ardonagh Group Limited ("the Group").

Principal activities and business review
The principal activity of the Company is that of a non-trading holding company, as such the Company does not generate any turnover.

The results for the Company show turnover of £Nil (2020: £Nil) and loss before tax of £113.7m (2020: £197.8m) for the year. At 31 December 2021 the Company had net assets of £247.9m (2020: £299.8m). The going concern note (part of accounting policies) on page 17 sets out the reasons why the directors continue to believe that the preparation of the financial statements on a going concern basis is appropriate.

Outlook
The directors do not expect there to be any changes in the nature of the business in 2022.

Key performance indicators
The directors of Ardonagh manage the Group's operations on a platform basis. For this reason, the Company's directors believe that a separate analysis for the Company, over and above consideration of the investment in the direct subsidiary and loans to indirect subsidiaries, 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 which includes this Company is discussed in the Group's annual report.

The key performance indicator for this Company is the carrying value of its investment in subsidiary and loans to subsidiaries, as these are the main assets of the Company. The performance of the subsidiaries will determine whether an impairment to the carrying value is required and this is tested on a regular basis.

There were no impairment charges for the current year end, (2020: £Nil).

Principal risks and uncertainties
The Company's performance and value, as an intermediate holding company of the Group, is integrated with its investment in and loans to the Company's subsidiaries. As such from the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are managed separately. Accordingly, the principal risks and uncertainties are discussed in the Group's annual report.

Trading performance in the subsidiaries could create the need for impairment leading to a reduction in net assets and distributable reserves of the Company. Through the Platforms, the subsidiaries set performance targets for the year ahead and performance is reviewed regularly against these targets. Reasons for under performance are monitored and mitigating actions are taken.

Changes to the Ardonagh Governance Framework as disclosed in the Group's 2021 Annual Report, are being implemented in 20222 such that Platform Board's will have the primary responsibility to discharge oversight and challenge over their operational performance against plan and performance against prudential risk appetite and risk frameworks. The Group Board shall set Group strategy, secure equity and debt capital, and ensure capital is efficiently deployed to maximise equity value to shareholders and oversee performance of Platforms against plans. To implement these changes an initial target level of debt, at a market rate, has been determined that exist between the Group and the Platforms, from which the performance against risk appetite and risk frameworks can be measured prospectively. The Company, as a recipient of debt capital raised, will be the Group's primary lender of debt to the Platforms.

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, regular monitoring of cash flows against risk appetite and a focus on debt collection.

The Company and Group have demonstrated their resilience from an economic shock and operational and financial resilience in response to the ongoing Covid-19 pandemic. The Company and Group have 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 £688.4m at 31 March 2022 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.

Global political tensions

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 Group has no appetite for potential breaches of applicable sanctions regimes. Most of the Group's inherent risk exposure relates to international 'London Market' insurance business within Ardonagh Specialty. Our robust framework and sophisticated control environment, which includes enhanced due diligence on Russian-linked business (prior to accepting the client relationships) and automated daily screening of all existing clients against relevant sanctions lists are dynamically updated as they change. The Group has also reviewed its defences against cyber risks in the context of anticipated increases in such threats to Western companies from Russia and has reviewed its procurement processes and supplier relationships for Russian links. Our mandatory due diligence on potential acquisitions also includes pre-completion screening of full client and supplier lists. We continue to actively monitor the situation as it develops and will respond accordingly as new sanctions are enacted.

Approved by the Board on 29 June 2022 and signed on its behalf by:

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D Cougill

Director

Directors' Report for the Year Ended 31 December 2021

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

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

C Bouch (resigned 31 May 2022)

P N Butler

D Cougill

V A Dombalagian

S French

D C Ross

J I Tiner

The following directors were appointed after the year end:

S Babikian (appointed as an alternate director to S French on 31 May 2022)
M W Raino (appointed as an alternate director to V A Dombalagian on 31 May 2022)

Dividends
The directors do not recommend a final dividend payment to be made in respect of the financial year ended 31 December 2021 (2020: £Nil).

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

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

Political donations
The Company has not made any political donations during the year (2020: £Nil).

Streamlined Energy and Carbon Reporting (SECR)
As a subsidiary undertaking for the year ended 31 December 2021, 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 2021 Annual Report and Financial Statements of Ardonagh Midco 2 plc, which is published on the Ardonagh website.

Subsequent events
Details of subsequent events can be found in the Notes to the financial statements within the 'Subsequent events' section on page 38.

Going concern
The Company's business activities, together with the factors likely to affect its future development are described in the Strategic Report on page 2. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Further details of this assessment can be found in note 2 to these financial statements.

Directors' indemnities

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

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditor

The auditor, Deloitte LLP, is deemed to be reappointed under section 487 (2) of the Companies Act 2006.

Approved by the Board on 29 June 2022 and signed on its behalf by:

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D Cougill

Director

Ardonagh Midco 3 plc

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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent Auditor's Report to the members of Ardonagh Midco 3 plc

Report on the audit of the financial statements

Opinion

In our opinion the revised financial statements of Ardonagh Midco 3 plc (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework' ; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, which comprise:

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

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

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the revised financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Independent Auditor's Report to the members of Ardonagh Midco 3 plc (continued)

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:
• had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and UK Tax legislation; and
• do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

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

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:
• reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
• performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
• enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
• reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC and regulatory authorities.

Report on other legal and regulatory requirements

Opinion on other matter prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required 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.

We have nothing to report in respect of these matters.

Independent Auditor's Report to the members of Ardonagh Midco 3 plc (continued)

Use of our report

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

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Stuart McLaren (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

Date:.29 June 2022

Ardonagh Midco 3 plc

Statement of Profit and Loss for the Year Ended 31 December 2021

	Note	2021 £ 000	2020 £ 000
Administrative expenses		(203)	(1,457)
Reversal /(charge) of impairment on financial assets		3,411	(3,408)
Foreign exchange gains/(losses)		2,655	(5)
Operating profit/(loss)	4	5,863	(4,870)
Finance income	5	80,942	36,527
Finance costs	5	(200,540)	(229,484)
Loss before tax		(113,735)	(197,827)
Tax credit	8	37,997	24,228
Loss for the year		(75,738)	(173,599)

The above results arise from continuing operations.

Ardonagh Midco 3 plc

Statement of Other Comprehensive Income for the Year Ended 31 December 2021

	Note	2021 £ 000	2020 £ 000
Loss for the year		(75,738)	(173,599)
Change in hedging reserve		8,348	(7,611)
Income tax expense relating to change in hedging reserve	8	-	(422)
Total comprehensive loss for the year		(67,390)	(181,632)

The above results arise from continuing operations.

Ardonagh Midco 3 plc

(Registration number: 10735116)
Statement of Financial Position as at 31 December 2021

	Note	2021 £ 000	2020 £ 000
Non-current assets			
Trade and other receivables	11	1,139,635	670,304
Investments in subsidiaries	9	869,026	840,059
Derivatives	14	2,109	446
Deferred tax	8	3,669	-
		2,014,439	1,510,809
Current assets			
Trade and other receivables	11	1,394,175	1,042,480
Cash and cash equivalents	10	111,607	44,547
Current tax asset		58,701	24,372
Derivatives	14	3,502	-
		1,567,985	1,111,399
Current liabilities			
Trade and other payables	12	(585,110)	(268,588)
Borrowings	13	(140,692)	(68,918)
Derivatives	14	(47,523)	(955)
		(773,325)	(338,461)
Net current assets		794,660	772,938
Total assets less current liabilities		2,809,099	2,283,747
Non-current liabilities			
Borrowings	13	(2,559,104)	(1,933,180)
Derivatives	14	(2,109)	(50,735)
		(2,561,213)	(1,983,915)
Net assets		247,886	299,832
Capital and reserves			
Share capital	15	694,742	688,885
Share premium		9,587	-
Hedging reserves		(1,749)	(10,097)
Retained losses		(454,940)	(379,202)
Capital contribution		246	246
Total equity		247,886	299,832

The notes on pages 16 to 38 form an integral part of these financial statements.

Ardonagh Midco 3 plc

(Registration number: 10735116)
Statement of Financial Position as at 31 December 2021 (continued)

Approved by the Board on 29 June 2022 and signed on its behalf by:

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D Cougill
Director

The notes on pages 16 to 38 form an integral part of these financial statements.

Ardonagh Midco 3 plc

Statement of Changes in Equity for the Year Ended 31 December 2021

	Share capital £ 000	Share premium £ 000	Hedging reserves £ 000	Retained losses £ 000	Capital contribution £ 000	Total £ 000
At 1 January 2021	688,885	-	(10,097)	(379,202)	246	299,832
Loss for the year	-	-	-	(75,738)	-	(75,738)
Other comprehensive income	-	-	8,348	-	-	8,348
New share capital subscribed	5,857	9,587	-	-	-	15,444
At 31 December 2021	694,742	9,587	(1,749)	(454,940)	246	247,886

During the year, 585,690,422 ordinary shares having an aggregate nominal value of £5.9m were allotted at premium of £9.6m and for an aggregate consideration of £15.4m, (note 15).

	Share capital £ 000	Share premium £ 000	Hedging reserves £ 000	Retained losses £ 000	Capital contribution £ 000	Total £ 000
At 1 January 2020	587,235	-	(2,064)	(205,603)	246	379,814
Loss for the year	-	-	-	(173,599)	-	(173,599)
Other comprehensive income	-	-	(8,033)	-	-	(8,033)
New share capital subscribed	101,650	-	-	-	-	101,650
At 31 December 2020	688,885	-	(10,097)	(379,202)	246	299,832

The capital contribution includes amounts recognised in prior periods in relation to a Group management incentive plan and a balance recognised following a loan waiver agreement with subsidiary undertakings.

1 General information

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

These financial statements for the year ended 31 December 2021 were authorised for issue by the board on 29 June 2022 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 have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101).

For the year ended 31 December 2021, the Company was a wholly owned subsidiary of The Ardonagh Group Limited and so has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group financial statements. Its results are included in the consolidated financial statements of its ultimate parent.

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

There are no new standards, amendments to standards or interpretations which are effective in 2021 or not yet effective and that are expected to materially impact the Company’s financial statements.

2 Accounting policies (continued)

Summary of disclosure exemptions

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the 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:

- the requirements of IFRS 7 'Financial Instruments: Disclosures';
- 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 in paragraph 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- 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;
- 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; and
- the requirement 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.

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 27.

Going concern

The financial statements of the Company set out on pages 11 to 15 have been prepared on the basis that the Company is a going concern. At 31 December 2021 the Company had net assets of £247.9m (2020: £299.8m) and net current assets of £794.7m (2020: £772.9m). The Company reported a loss before tax of £113.7m (2020: £197.8m).

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

2 Accounting policies (continued)

- The Group's capital structure, operations and liquidity following the 14 July 2020 issuance of new borrowings; £343.0m received for the 350,000 preference shares issued on 3 September 2021; and the additional 19 August 2021 Capex, Acquisition and Re-organisation facility (B3 facility) of circa £565.0m agreed with the lenders of the Group's privately placed B1 term loan facility due 2026, of which £164.3m remains undrawn at 18 May 2022. These are reflected in the adjusted base case and stressed cash flow forecasts over the calendar years 2022 and 2023.
- The impact on the Group's base case cashflow forecasts arising from material acquisitions since the finalisation of the Group's base case budget.
- The principal risks facing the Group, including global political tensions (including related to the Ukrainian conflict), and potential lingering financial impacts of Covid-19 following lockdown restrictions being removed in the UK, and its systems of risk management and internal control.
- Actual trading and cashflows that arose in the four months ended April 2022, with continued positive financial results.

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

- Following the 14 July 2020 issuance of new borrowings, which the Group used to repay its existing borrowings and to fund acquisitions: (a) the Group will continue to benefit from a £191.5m Revolving Credit Facility that is not drawn at the date of this report, and (b) payment-in-kind interest options are utilised.
- Client retention and renewal rates continue to be robust, despite the current economic uncertainty, as the 2022 trading performance continues to demonstrate resilience across the Group.

Key stress scenarios that the directors have considered include cumulative stresses to the base plan as a result of:

- Shortfalls in base case projected income throughout 2022 and 2023.
- Deterioration in base case cash conversion rates over and above the shortfalls in income.
- Mitigating actions within management control including delayed capital expenditure, a reduction in discretionary spend and some reduction in employee headcount and remuneration.
- The impact of increasing interest rates.

2 Accounting policies (continued)

The directors have also modelled reverse stress scenarios, including assessing those that result in a default on its 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 considers such conditions to be a remote possibility. Other mitigations which may be possible in the stress scenarios but have not been included in the Group's analysis include seeking shareholder support, securitising premium receivables and further incremental and more prolonged cost reductions.

The directors continue to consider the wider operational consequences and ramifications of global political tensions (including related to the Ukrainian conflict) and the Covid-19 pandemic. In particular:

- The Group has demonstrated the efficiency and stability of the Group's infrastructure and the ability for home working for a significant portion of our employee base.
- Insurance broking is a resilient and defensive market, which has historically had limited impact from past economic or capital market downturns. The Group is highly diversified and not materially exposed to a single carrier, customer or market sector.
- Although Covid-19 developments remain fluid, the stress testing demonstrates the Group's financial resilience and operating flexibility.
- As a result of Russia invading Ukraine, we have seen significant new sanctions legislation from a range of legislators (including the US, EU and UK), with newly sanctioned entities and individuals, and new (or wider in scope) sectoral sanctions targeting Russia (and Belarus). The Ardonagh Group has no appetite for potential breaches of applicable sanctions regimes and applies appropriate controls including automated screening of clients against relevant sanctions lists. We continue to actively monitor the situation as it develops and will respond accordingly as new sanctions are enacted.

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

Investments in subsidiary

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 investments

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 whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income.

Calculation of recoverable amount

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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2 Accounting policies (continued)

Financial instruments

Recognition and initial measurement
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and they are measured initially at fair value. Transaction costs arising on the issue of a financial asset or financial liability are accounted for as follows:

•Transaction costs are added to or deducted from the fair value of the financial asset or financial liability if they are directly attributable to the acquisition of the financial asset or financial liability, respectively, and if the financial asset is measured at fair value through other comprehensive income or if the financial asset or financial liability, respectively, is measured at amortised cost.
•Transaction costs are recognised immediately in profit or loss if they are directly attributable to the issue of a financial asset or financial liability at fair value through profit or loss, or if they are not directly attributable to the issue of a financial asset or financial liability.

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 equity is not reclassified to the Statement of Comprehensive Income, but is included retained earnings.

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 Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Classification and subsequent measurement of financial assets
Financial assets are classified into one of the following three categories:
• Amortised cost;
• Fair value through other comprehensive income ("FVTOCI"); or
• Fair value through the profit or loss ("FVTPL").

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

2 Accounting policies (continued)

Financial assets classified as amortised cost
Financial assets that meet both of 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 and as such their transaction (invoiced) price is considered to be their amortised cost.

Financial assets classified as FVTOCI
Financial assets are classified and subsequently measured at FVOCI if they meet the criteria to be classified at amortised cost except that the business model is to sell financial assets as well as to hold financial assets to collect contractual cash flows.

The Company may also irrevocably elect to classify and subsequently measure equity investments at FVOCI. Gains and losses on these equity instruments are never recycled to profit or loss. Dividend income from equity instruments measured at FVTOCI is recognised in profit or loss as part of investment income when the right to payment has been established (provided that it is probable that the economic benefits will flow to the Company and that the amount of income can be measured reliably), except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case such gains are recorded in other comprehensive income. The right to payment is established on the ex-dividend date for listed equity securities, and usually on the date when shareholders approve the dividend for unlisted equity securities. Equity instruments at FVTOCI are not subject to an impairment assessment.

The Company has designated all of its unlisted equity investments as at FVTOCI because these investments were on initial recognition held as long-term strategic investments that were not expected to be sold in the short to medium term.

2 Accounting policies (continued)

Financial assets classified as FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL.

Financial assets at FVTPL are recorded in the Statement of Financial Position at fair value. Changes in fair value are recorded in profit and loss to the extent they are not part of a designated hedging relationship. Interest earned on assets mandatorily required to be measured at FVTPL is recognised using a contractual interest rate. Dividend income from equity instruments measured at FVTPL is recognised in profit or loss as part of investment income when the right to payment has been established (provided that it is probable that the economic benefits will flow to the Company and that the amount of income can be measured reliably). This is the ex-dividend date for listed equity securities, and usually the date when shareholders approve the dividend for unlisted equity securities.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting year. Specifically, :

- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income; and
- for all other financial assets that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the operating costs line item.

Reclassifications

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

2 Accounting policies (continued)

Impairment of financial assets

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

The Company recognises lifetime ECL for loans and trade and other receivables. The 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.

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

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

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

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

Classification and subsequent measurement of financial liabilities
All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

2 Accounting policies (continued)

Financial liabilities at fair value through the profit or loss

Financial liabilities are classified and measured at FVTPL when:

• the financial liability is contingent consideration relating to a business combination to which IFRS 3 applies; or
• 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 the Statement of Comprehensive Income to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in the Statement of Comprehensive Income 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 or losses are recognised in the Statement of Comprehensive Income.

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

Borrowings

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

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

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

2 Accounting policies (continued)

Cash flow hedges

The Company enters into forward contracts, interest rate swaps (and, in the previous year, also held cross currency swaps) to manage its exposure to foreign exchange and interest rate risks from its borrowings. The Company designates these derivatives as cash flow hedges, being hedges of a particular risk associated with the cash flows of recognised liabilities and highly probable forecast transactions.

At the inception of such hedging transactions the Company documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:
•there is an economic relationship between the hedged item and the hedging instrument;
•the effect of credit risk does not dominate the value changes that result from that economic relationship; and
•the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Company adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of derivative instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in finance costs for the derivatives that hedge borrowings and in other operating costs for the derivatives that hedge revenue.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the year when the hedged item affects profit or loss, included in the same line as that which the hedged item affects.

Furthermore, if the Company expects that some or all of the loss accumulated in other comprehensive income will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Company discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is reclassified to profit or loss when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

2 Accounting policies (continued)

Foreign currency transactions and balances
Foreign currency transactions are converted into the functional currency of the respective Group entity, using the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are converted into sterling using the exchange rate at the reporting date, with differences recognised in profit or loss.

Non-monetary items are not retranslated at the reporting date and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined. Profits or losses arising from derivatives taken out to hedge foreign currency exposure are recognised in the income statement unless such contracts are designated as cash flow hedges.

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.

Share premium
Share premium is the amount by which the fair value of the consideration received exceeds the nominal value of share issued. Expenses and commission paid on the issue of share are written off against the share premium of the same issue.

Taxation
The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Current tax
Current tax is recognised for the amount of tax payable in respect of the taxable 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 all timing differences at the reporting date. 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 other 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.

Finance income and costs policy
The Company's finance income and finance costs include:
• interest income and expense; and
• unwind of discount on financial liabilities

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

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

3 Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will, by definition, seldom equal the related actual results.

There are no critical accounting judgements that would have a significant effect on the amounts recognised in the Company's financial statements or key sources of estimation uncertainty at the Statement of Financial Position date that would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4 Operating profit/(loss)

The audit fee of £5k (2020: £5k) for the audit of the Company was paid by a Group entity for which no recharge was made.

A £3.4m reversal of impairment was in relation to the release of the bad debt provision recognised in relation to the loan held with Atlanta Investment Holdings C Limited.

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

5 Finance income and finance costs

	2021 £ 000	2020 £ 000
Finance income		
Interest income on bank deposits	-	8
Interest on intercompany loan	80,942	36,519
	80,942	36,527
Finance costs		
Interest on bank and other borrowings	(184,762)	(170,487)
Unwinding of discount on financial liabilities	(12,093)	(36,047)
Interest on intercompany loans	(47,843)	(22,950)
Modification gain on amendment to borrowings	44,158	-
	(200,540)	(229,484)
Net finance cost	(119,598)	(192,957)

5 Finance income and finance costs (continued)

As at 31 December 2021, finance income includes £80.9m (2020: £36.5m) of interest on loans from other group undertakings, note 11 for further details.

Interest on bank and other borrowings includes interest payable on the senior secured notes.

Intercompany interest is payable on a balance due to Ardonagh Midco 2 plc, a company under common control. Interest accrues at the rate applicable to Ardonagh Midco 2 plc's external debt and is payable quarterly in arrears.

There was an amendment to the terms of the term facilities due 2026 debt arrangements on 19 August 2021, reducing the margin on the term facilities due 2026 by 0.25% and removing the PIK option from these facilities. This was accounted for as a modification as the cash flows of the amended debt compared to the remaining cash flows of the original debt were, when both were discounted using the original effective interest rate, less than 10% different, such that it was concluded that the amendment did not constitute a substantial change to the debt arrangements. A £20.7m modification gain has been recognised in the profit and loss, within finance costs, and the carrying amount of the debt has been adjusted accordingly.

On 18 November 2021, the margins on the term facility due 2026 were further reduced by 0.50% to the nominal interest rates set out in note 13 due to change to the consolidated senior net leverage ratio. This reduction is not a change in market interest rates (it is specific to the Company) and thus has been accounted for by adjusting the carrying amount of the debt to reflect the revised estimated cash flows using the original effective interest rate. A £23.4m gain has been recognised in the profit and loss, within finance costs.

6 Staff costs

The Company had no employees in the current year or the preceding year. All administration is performed by employees of the Group, for which no recharge is made to the Company.

7 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 The Ardonagh Group Limited and/or other fellow subsidiaries. Their total emoluments are included in the consolidated financial statements of The Ardonagh Group Limited for the year ended 31 December 2021.

8 Income tax

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

	2021 £ 000	2020 £ 000
Current taxation		
UK corporation tax	(17,597)	(24,692)
UK corporation tax adjustment to prior periods	(16,732)	514
Total current taxation	(34,329)	(24,178)
Deferred taxation		
Origination and reversal of temporary differences	(3,668)	50
Adjustments in respect of prior periods	-	(50)
Effect of tax rate change on opening balances	-	(50)
Total deferred taxation	(3,668)	(50)
Tax credit in the Statement of Profit and Loss	(37,997)	(24,228)
Current taxation		
UK corporation tax	-	-
Deferred tax		
Origination and reversal of temporary differences	-	422
Tax (credit)/charge in the Statement of Other Comprehensive Income	-	422

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

	2021 £ 000	2020 £ 000
Loss before tax	(113,735)	(197,827)
Corporation tax at standard rate of 19% (2020: 19%)	(21,610)	(37,587)
Expenses not deductible for tax purposes	(632)	12,605
Group relief surrendered for nil consideration	1,266	290
Adjustments to tax charge in respect of previous periods - current tax	(16,732)	514
Adjustments to tax charge in respect of previous periods - deferred tax	-	(50)
Deferred tax charged directly to OCI	-	(423)
Deferred tax not recognised	1,588	858
Tax expense relating to changes in tax rates or laws	(1,877)	(435)
Total tax credit in the Statement of Profit and Loss	(37,997)	(24,228)

8 Income tax (continued)

Deferred tax

In the March 2021 Budget, it was announced that the UK Corporation Tax Rate will rise from its current rate of 19% to 25% with effect from April 2023. UK deferred tax balances as at 31 December 2021 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:

2021	**Assets £000**
Losses	3,669

2020	**Assets £000**
Losses	-

Deferred tax movement during the year:

	At 1 January 2021 £000	**Recognised in income £000**	**Recognised in equity £000**	**At 31 December 2021 £000**
Losses	-	3,669	-	3,669
Hedging reserves	-	-	-	-

Deferred tax movement during the prior year:

	At 1 January 2020 £000	**Recognised in income £000**	**Recognised in equity £000**	**At 31 December 2020 £000**
Losses	-	-	-	-
Hedging reserves	372	50	(422)	-

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.

8 Income tax (continued)

	2021	2020
	£000	£000
Hedging reserves	437	1,918
Losses	-	3,655
Provisions	3,714	-
Unrecognised deferred tax assets	4,151	5,573

9 Investments in subsidiaries

	£ 000
Cost or valuation	
At 1 January 2021	840,059
Additions	28,967
At 31 December 2021	869,026
Carrying amount	
At 31 December 2021	869,026
At 31 December 2020	840,059

During the year, the Group completed a number of transactions with non-controlling interests which resulted in the Company's investment in its indirect subsidiaries increasing by £19.1m. A further addition of £9.9m arose in relation to deed of release between the Company and Atlanta Investment Holdings C Limited prior to its disposal.

Details of the subsidiary as at 31 December 2021 are as follows. A comprehensive list of all direct and indirect subsidiaries can be found in the financial statements of The Ardonagh Group Limited.

Name of subsidiary	Principal activity	Country of incorporation and Principal place of business	Company interest in ordinary share capital and voting rights held 2021	2020
Ardonagh Finco plc (and subsidiaries)	Holding company	England	100%	100%
Ardonagh Services Limited (and subsidiaries)	Service company	England	100%	100%
Ardonagh Advisory Holdings Limited (and subsidiaries)	Holding company	England	100%	100%
Geo Specialty Group Holdings Limited (and subsidiaries)	Holding company	England	100%	100%
Nevada Investment Holdings 3 Limited (and subsidiaries)	Holding company	England	100%	100%

9 Investments in subsidiaries (continued)

Name of subsidiary	Principal activity	Country of incorporation and Principal place of business	Company interest in ordinary share capital and voting rights held 2021	2020
Nevada Investment Holdings 5 Limited (and subsidiaries)	Holding company	England	100%	100%

The registered office of the subsidiaries detailed above is: 2 Minster Court, Mincing Lane, London, EC3R 7PD.

10 Cash and cash equivalents

	2021 £ 000	2020 £ 000
Own funds	111,607	44,547

11 Trade and other receivables

	2021 £ 000	2020 £ 000
Non-current trade and other receivables		
Loans to related parties	1,139,635	670,304
Current trade and other receivables		
Receivables from other Group companies	1,390,614	1,042,465
Prepayments	3,561	15
	1,394,175	1,042,480

On 19 February 2021, the Company entered into a new loan agreement with Nevada 4 Midco 1 Limited, a company under common control. The principal was GBP 12.6m, repayable in February 2027 (subject to the terms of the agreement) and accrues interest at 10.25% per annum.

On 12 May 2021, the Company entered into a new loan agreement with Arachas Bidco Designated Activity Company, a company under common control. The principal was EUR 14.4m, repayable in June 2026 (subject to the terms of the agreement) and accrues interest at 10.0% per annum.

On 1 October 2021, the Company entered into a second new loan agreement with Arachas Bidco Designated Activity Company, a company under common control. The principal was EUR 55.0m, repayable in June 2026 (subject to the terms of the agreement) and accrues interest at 10.0% per annum.

On 1 November 2021, the Company entered into a new loan agreement with Ardonagh Specialty Holdings 2 Limited, a company under common control. The principal was USD 534.9m, repayable in June 2026 (subject to the terms of the agreement) and accrues interest at 10.0% per annum.

On 14 July 2020, the Company entered into two new loan agreements with Ardonagh Finco Plc, a fellow Group company. These intragroup loans accrue interest at 10.25% over their three year term.

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

12 Trade and other payables

	2021 £ 000	2020 £ 000
Current trade and other payables		
Accrued expenses	2,318	1,333
Amounts due to other Group companies	582,745	267,255
Other payables	47	-
	585,110	268,588

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

13 Borrowings

	2021 £ 000	2020 £ 000
Non-current loans and borrowings		
Loans from related parties	386,092	380,462
Secured loan and other borrowings	2,173,012	1,552,718
	2,559,104	1,933,180

	2021 £ 000	2020 £ 000
Current loans and borrowings		
Loans from related parties	69,330	22,009
Secured loan and other borrowings	71,362	46,909
	140,692	68,918

The principal features of the Company's borrowings are as follows:

• A privately placed term loan facility due 2026, entered into on 14 July 2020 comprising £1,412.8m denominated in pounds sterling and EUR 180.0m denominated in euros. The term facility attracts a 6.75% interest rate (which excludes the payment in kind premiums and floating rate floors).

• An intragroup loan with Ardonagh Midco 2 plc to borrow $500.0m on the terms and subject to the conditions set out in the loan agreement, which the Company used to lend to certain subsidiaries in order to fund acquisitions.

14 Derivatives

Derivatives hedging borrowings

The Company has forward contracts which create an economic hedge relationship to mitigate foreign exchange risk arising from its USD fixed rate borrowings from related parties. The Company also has interest rate swaps which create an economic hedge relationship to mitigate interest rate risk arising from its GBP SONIA and EUR EURIBOR senior secured term loans which were entered into in July 2020. In relation to the GBP senior secured loan, it was initially referenced to LIBOR benchmark interest rates and during 2021, as a result of LIBOR reform, was modified to reference SONIA benchmark rates and the interest rate swap economic hedge was modified to a SONIA swap at the same time. During 2020 the Company held cross currency swaps to mitigate its exposures to foreign exchange and interest rate risk. The Company applies hedge accounting for those hedge relationships that meet the hedge accounting criteria. The Company manages all other risks associated with these exposures, such as credit risk, but it does not apply hedge accounting for those risks.

Derivatives hedging revenues

The Company enters into USD forward contracts with external parties for the purpose of providing group companies with economic hedges against their foreign currency risk on forecast revenues. As the Company offsets the risk on the external derivatives by entered into derivatives with group companies on the same terms as those which it entered into the external parties, the Company measures all these external and intercompany derivatives are all measured at fair value through profit or loss. These derivatives do not give risk to any significant profit or loss volatility and therefore they are not part of a designed hedge accounting relationship.

Derivatives are only used for hedging purposes. The Company has the following derivative financial instruments as at the end of the year:

	2021 £000	2020 £000
Non-current assets		
Derivatives hedging borrowings	-	446
Derivatives hedging revenues	2,109	-
Current assets		
Derivatives hedging borrowings	1,227	-
Derivatives hedging revenues	2,275	-
Current liabilities		
Derivatives hedging borrowings	(45,248)	(955)
Derivatives hedging revenues	(2,275)	-
Non-current liabilities		
Derivatives hedging borrowings	(2,109)	(50,735)
Derivatives hedging revenues	-	-
Net derivative financial instrument liabilities	**(44,021)**	**(51,244)**

15 Share capital

Allotted, called up and fully paid shares

	2021		2020	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £0.01 each	69,474,178	694,742	68,888,488	688,885

New shares allotted

On 19 April 2021, 585,690,422 Ordinary shares having an aggregate nominal value of £5,856,904 were allotted for an aggregate consideration of £15,443,454.

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

16 Related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with a number of related parties. The Company has taken the exemption under FRS 101 not to disclose transactions with fellow wholly owned subsidiaries or key management personnel.

Business was also conducted, on an arm's length basis, within The Ardonagh Group Limited group of companies. The table below shows the transactions and balances with entities that form part of the Group but are not wholly owned by The Ardonagh Group Limited.

	2021	2021	2021	2020	2020	2020
	Paid to	Received from	(Due to) / receivable from at year end	Paid to	Received from	(Due to) /receivable from at year end
	£000	£000	£000	£000	£000	£000
Oyster Property Insurance Specialists Limited	-	-	(1)	-	-	(1)
Oyster Risk Solutions Limited	-	-	469	-	-	469

17 Commitments

Guarantees

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 the Company being the Issuer of the private debt and a guarantor of the public notes. The Group has also provided limited recourse share charges in favour of the lenders in respect of the following group companies:

Arachas Corporate Brokers Limited	Atlanta Insurance Intermediaries Limited (formerly Swinton Group Limited)
Ardonagh Advisory Holdings Limited	Advisory Insurance Brokers Limited (formerly Towergate Underwriting Group Limited)
Ardonagh Specialty Holdings Limited	Atlanta Investment Holdings 3 Limited
Paymentshield Limited	Nevada 5 Topco Limited
Price Forbes & Partners Limited	

18 Parent and ultimate parent undertaking

The immediate parent company is Ardonagh Midco 2 Plc and the ultimate parent company is Tara Topco Limited, (see note 19).

The Group's majority shareholder and ultimate controlling party at 31 December 2021 is HPS Investment Partners LLC. The parent company of the largest group that prepares group financial statements at 31 December 2021 that consolidate the Company is The Ardonagh Group Limited (incorporated in Jersey, registered office address 3rd Floor, 44 Esplanade, St Helier, Jersey, JE4 9WG). The parent company of the smallest group that prepares group financial statements at 31 December 2021 that consolidate the Company is Ardonagh Midco 2 plc (incorporated in Great Britain, registered office address 2 Minster Court, London, EC3R 7PD). Financial statements for The Ardonagh Group Limited and Ardonagh Midco 2 plc are available on request from:

2 Minster Court
Mincing Lane
London
EC3R 7PD

19 Subsequent events

The Company entered into a number of new debt agreements subsequent to the reporting date in order to implement the changes to Ardonagh's Governance Framework described in the Principal risks and uncertainties section of the Strategic Report. These debt agreements are summarised beneath:

• On 19 April 2022 the Company entered into formal loan agreements to refinance the existing net Group intercompany balances outstanding as at 31 December 2021, which did not accrue interest, that Platforms had with the Company as well as other entities within the Group. In relation to the Platform's intercompany balances with entities within the Group, other than the Company, this results in the Company adjusting the loan principal due from the Platform entities in return for an initial equal amount owed, or receivable, between the Company and the relevant Group entity. The new formal loans have a total principal receivable of £323.1m.
• On 19 April 2022 the Company entered into formal loan agreements to increase the amount of Platform debt owed to Group (and implement the target debt levels) for an amount of £251.5m. The consideration transferred by the Company to the Platforms for this debt was a short term promissory note of £254.4m, which is non-interest bearing and represents a contractual right to transfer cash with five business days notice from the holder, offset by the extinguishment of an intercompany payable of £2.9m.
• The new formal loan agreements, which have a combined principal balance at inception of £574,608,111 include the GBP equivalent of a USD 1.0m and AUD 1.0m formal loan, but are otherwise all GBP loans. These formal loans have a fixed interest rate of 10% and have a final maturity date of 30 June 2026, however it can be repaid early at the option of the borrower without penalty.

Following the satisfaction of closing conditions on 31 May 2022, Ardonagh has obtained a significant new equity investment into the Group led by existing long-term shareholders MDP and HPS, alongside new co-investors through accounts managed by MDP and HPS. Under the terms of the transaction, funds affiliated with MDP have increased their shareholding in the Group, and HPS has reinvested in the Group. Co-investors, including a wholly owned subsidiary of the Abu Dhabi Investment Authority and several other large global institutions, have also acquired more than USD1 billion equity through accounts managed by MDP and HPS as part of the transaction, which gives an enterprise valuation for Ardonagh of USD7.5 billion.

The new equity investment has resulted in The Ardonagh Group Limited merging into a newly created company Tara Topco Limited ('Tara') on 31 May 2022 following which the Ardonagh Group activities became overseen by a newly created subsidiary of Tara from 1 June 2022 that is being re-named Ardonagh Group Holdings Limited.