Registration number: 11280863

# Inver Reinsurance Brokers Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2022

# Inver Reinsurance Brokers Limited

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# Inver Reinsurance Brokers Limited

## Company Information

**Directors**

S Bhaiji

A D Wallin

**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

# Inver Reinsurance Brokers Limited

## Strategic Report for the Year Ended 31 December 2022

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

**Principal activities and business review**

The principal activity of the Company is that of acting as a broker in the reinsurance markets. The Company acts as an appointed representative for Ardonagh Specialty Limited.

The results for the Company show revenue of £6.1m (2021: £Nil) and loss before tax of £7.7m (2021: £0.0m) for the year. At 31 December 2022 the Company had net liabilities of £7.0m (2021: £0.6m). The going concern note (part of accounting policies) on page 19 sets out the reasons why the directors continue to believe that the preparation of the financial statements on a going concern basis is appropriate.

**Business strategy and objectives**

The business strategy of the Company will focus on providing (re)insurance intermediary services across niche and specialist lines of business, and whilst the revenues are predominantly US generated, the businesses are based in the UK. The Company also recognises the opportunity that European and North American expansion offers to add further distribution channels.

The Company continues to emphasise the fundamental importance of putting customers first. The Company has developed policies and processes with the aim of treating every customer fairly and consistently. This includes endeavouring to provide customers with the best products, advice and service, which can build loyalty and advocacy, that in turn strengthens reputation and supports profits. Serving customers well involves high standards of underwriting and pricing, a customer-focused approach pre and post transaction, and dealing with any concerns or complaints promptly and fairly. The development of strong customer relationships assists in sustained income growth. The Company focuses on increasing retention rates and attracting new customers.

The Company aspires to create a high-performance culture, and the delivery of excellent customer service through employing, developing, and retaining highly engaged and capable people. The Company fosters a supportive environment in which our people continuously learn and develop. The Company's culture, development opportunities, and reward structure positions it to attract and retain highly motivated staff. We create a shared understanding of the Company's strategic goals and objectives, building the capabilities of leaders to manage performance and ensuring every employee has the knowledge, skill and capability to perform their role.

**Companies Act s.172 Duty**

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

Board oversight and governance is discharged by the Ardonagh Specialty Holdings Limited Board ("Specialty Board"). The Specialty Board considers and approves acquisitions and disposals, sets integration/synergy plans, risk appetite and recommends investments over a set limit to the Ardonagh Group Board for approval. The performance and delivery of annual and integration plans are also subject to detailed oversight by the Specialty Board.

The Specialty Board has constituted the following Committees:

Risk Committee - discharges rigorous oversight over the management of risk and receives regular reports from the Risk & Compliance function and deep-dives into specific risks, such as cyber risk.

Remuneration Committee - approves matters delegated to it by the Group Remuneration Committee and recommends matters that require approval by the Group Remuneration & Nominations Committee. These matters include senior hires, bonus and pay budgets and allocation thereof, and Balanced Scorecards used to measure performance.

Audit Committee - exercises robust oversight over prudential and financial risk and Internal Audit plan delivery.

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

*Shareholders*
There are two shareholder representative who attend the Specialty Board who articulate their views during Board discussions.

*Employees*
Our employees are central to the success of Ardonagh Specialty, and our remuneration structures are designed to reward good performance and support our values. In addition, the business focusses on providing long-term career prospects for staff with opportunities to up-skill through training, providing career progression paths.

Specialty have adopted an Equality and Diversity Policy and the Specialty Board believes that equality, diversity and inclusion strengthen the business, contribute positively to its long-term performance, and enhance our ability to attract and develop key talent. The Specialty Board has taken time to consider management actions and initiatives regarding diversity and inclusion, and they support and monitor management actions to increase the proportion of senior leadership roles held by women and other under-represented groups.

An annual Groupwide employee pulse survey has been conducted since 2019. Specialty achieved an average score of 7.1 (out of 10) across all questions, slightly below the 7.5 average score across the Ardonagh Group. The survey highlighted positive trends regarding fostering cultures of inclusion and respect, however the survey also highlighted that there is work to do and management are taking actions across the following three themes; belonging & inclusion, organisational direction and people-first culture.

*Customers*
Seeking good customer outcomes is central to the success of the business. Management continues to seek customer views and improve how we track our customers' perceptions of our businesses. Our services are periodically reviewed to ensure they continue to meet the needs of our customers.

In preparation for the new UK Customer Duty launched by the FCA, the Specialty Board selected an independent non-executive director to act as a Consumer Duty Champion helps facilitate the voice of the customer to be heard in the Boardroom.

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

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

Community
Ardonagh contributes to the communities in which we operate through the Ardonagh Charitable Trust. Further details on how we interact with communities are set out in the Sustainability Report available on the Ardonagh website.

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

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

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

Regulatory
The Specialty Board discharged oversight and challenge to ensure the business complies with regulatory deadlines set out in the new Consumer Duty rules. In addition, our Risk Committee consider interactions with the FCA to ensure our regulatory relationship is constructive, transparent and cooperative.

**Outlook**
Following further rationalisation of trade through a series of acquisitions, the Company will use this base to deliver a strong environment for the (re)insurance broking business and a base to drive growth on a cost-efficient basis.

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

| | Unit | 2022 | 2021 |
|---|---|---|---|
| Revenue | £ 000 | 6,139 | - |
| EBITDA | £ 000 | (7,728) | (39) |
| Loss before tax | £ 000 | (7,728) | (39) |
| Net liabilities | £ 000 | (6,980) | (628) |

During the year the Company has recommenced trading, as a result revenue has increased from £Nil in 2021 to £6,139k in 2022, EBITDA has decreased from losses of £39k in 2021 to losses of £7,728k in 2022, loss before tax has increased from £39k in 2021 to £7,728k in 2022 and net liabilities have increased from £628k to £6,980k in 2022.

The Company's key non-financial performance indicator is staffing levels, which have increased throughout the year from Nil in 2021 to 35 in 2022. The Company actively encourages all employees to become involved in Company affairs and is also keen to encourage two-way communications on relevant business issues. This is achieved through regular employee meetings and by presentations by senior management, supported by a Group-wide communication plan. Further discussion of employee matters can be found in the directors' report.

**Principal risks and uncertainties**
The Company has a comprehensive strategy for the identification, mitigation and management of risk. A wide-ranging assessment of business risks has been undertaken resulting in the compilation of a risk register. The risk register is subject to discussion at regular Specialty Board Risk Committee meetings and the Company's ongoing risk management ensures there is appropriate reporting from the business which will highlight changes in risk profile to the Risk Committee. The risks are managed and monitored in accordance with an established risk management framework and agreed risk appetite.

The principal risks and their mitigation are as follows:

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

*Financial risk*
There is the risk of an adverse impact on business value or earnings capacity as well as the risk of inadequate cash flows to meet financial obligations. These risks are mitigated by proactive management of the business plan, by regular monitoring of cash flows against risk appetite and by a focus on debt collection.

The Company and Group have demonstrated operational and financial resilience to economic uncertainties and changes in customer confidence.

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 Company and Group would respond to income declines by seeking cost savings. The Group had available liquidity of £995.1m at 30 June 2023. The Company has positive net current assets and net assets. The Company and Group closely monitor 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. The Company and Group are diversified and not materially exposed to a single carrier or customer.

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

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

*Regulatory and legal risk*
This is the risk of regulatory sanctions, material financial loss or loss to reputation suffered as a result of non-compliance with laws, regulations and applicable administrative provisions. If we fail to comply with regulatory requirements, we may not be able to conduct our business or may be subject to substantial fines or other sanctions that may have an adverse effect on our results of operations and financial condition. Ardonagh Specialty and the Company operate a robust risk and control framework, underpinned by the three line of defence governance model, and closely monitor changes to the regulatory environment.

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

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

*Foreign currency risk*
The Company's main exposure to foreign currency risk arises from the settlement in foreign currency, principally US Dollars, of brokerage and fees relating to (re)insurance business originating overseas. Transactions denominated in US Dollars form all of the Company's revenues. The Company manages this exposure through active treasury management processes, including hedging operations in conjunction with other companies within the Group where appropriate.

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

*Relationships with key suppliers*
The Company is a (re)insurance intermediary and depends on insurance companies providing it with (re)insurance underwriting capacity and products. If third-party brokers and other intermediaries do not provide customers with competitive levels of service, or if a significant number of them choose not to distribute our products, the level of written premiums we place for customers may decline. A withdrawal by insurance companies of underwriting capacity or products in circumstances where no replacement underwriting capacity or products can be procured, or an excessive increase in the rates charged by an insurance company, would impact our business performance.

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

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

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

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

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

S Bhaiji
Director

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

**Directors of the Company**

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

A Erotocritou (resigned 13 March 2023)

J A Masterton (resigned 13 March 2023)

The following directors were appointed after the year end:

S Bhaiji (appointed 13 March 2023)

S P Hearn (appointed 13 March 2023 and resigned 10 July 2023)

A D Wallin (appointed 10 July 2023)

**Dividends**

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

**Financial risk management objectives and policies**

Details of financial risk management objectives and policies can be found in the Strategic Report within the 'Principal risks and uncertainties' section on page 5.

**Future developments**

Details of future developments can be found in the Strategic Report within the 'Outlook' section on page 4.

**Political donations**

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

**Subsequent events**

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

**Employment of disabled persons**

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

**Employee involvement**

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

### Going concern

The Company's business activities, together with the factors likely to affect its future development are described in the Strategic Report on page 2. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least the next twelve months from the date of approval of the financial statements. As at 31 December 2022 the Company is reporting net liabilities of £7.0m (2021: £0.6m). In reaching their view on the preparation of the Company's financial statements on a going concern basis, the directors have considered the letter of support provided by Ardonagh Group Holdings Limited. 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 20 September 2023 and signed on its behalf by:

S Bhaiji

Director

# Inver Reinsurance Brokers Limited

## Statement of Directors' Responsibilities

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

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

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

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

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

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

# Inver Reinsurance Brokers Limited

## Independent Auditor's Report to the members of Inver Reinsurance Brokers Limited

### Report on the audit of the financial statements

**Opinion**
In our opinion the financial statements of Inver Reinsurance Brokers Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its 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 Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 16.

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

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

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

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

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

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

## Independent Auditor's Report to the members of Inver Reinsurance Brokers Limited (continued)

**Other information**

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

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

We have nothing to report in this regard.

**Responsibilities of directors**

As explained more fully in the 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.

**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, the directors and internal audit about their own identification and assessment of the risks of irregularities, including those that are specific to the Company's business sector.

## Independent Auditor's Report to the members of Inver Reinsurance Brokers Limited (continued)

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

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

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

• Manipulation of revenue submission : As EBITDA is the primary driver for the bonus decisions, there is a risk of manipulation around the submission of revenue based on budget vs actual performance. Due to the nature of the entity, we have chosen to apply our significant risk to cut-off on all classes of business being placed. We have performed the following test:

• Sampled and tested transactions across all divisions processed/reversed in December 2022 and January 2023.

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, internal audit and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
• reading minutes of meetings of those charged with governance and reviewing correspondence with the Financial Conduct Authority.

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

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

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

## Independent Auditor's Report to the members of Inver Reinsurance Brokers Limited (continued)

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

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

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

We have nothing to report in respect of these matters.

**Use of our report**

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

Kirstie Hanley, ACA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

Date: 20 September 2023

## Statement of Comprehensive Income for the Year Ended 31 December 2022

| | Note | 2022<br>£ | 2021<br>£ |
|---|---|---|---|
| Revenue | 4 | 6,138,894 | - |
| Administrative expenses | | (13,867,226) | (39,214) |
| **Operating loss** | 5 | (7,728,332) | (39,214) |
| Loss **before tax** | | (7,728,332) | (39,214) |
| Income tax | 8 | 1,376,009 | 4,154 |
| **Loss for the year** | | (6,352,323) | (35,060) |

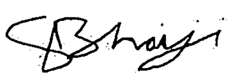
The above results arise from continuing operations. There was no other comprehensive income in the current or prior year.

# Inver Reinsurance Brokers Limited

## (Registration number: 11280863)
## Statement of Financial Position as at 31 December 2022

| | Note | 2022 £ | 2021 £ |
|---|---|---|---|
| **Non-current assets** | | | |
| Deferred tax assets | 8 | 1,528 | - |
| **Current assets** | | | |
| Cash and cash equivalents | 9 | 180 | - |
| Trade and other receivables | 10 | 1,496,112 | - |
| Current tax assets | | - | 4,154 |
| | | 1,496,292 | 4,154 |
| **Current liabilities** | | | |
| Trade and other payables | 11 | (8,318,418) | (632,232) |
| Tax liabilities | | (159,803) | - |
| | | (8,478,221) | (632,232) |
| **Net current liabilities** | | (6,981,929) | (628,078) |
| **Total assets less current liabilities** | | (6,980,401) | (628,078) |
| **Net liabilities** | | (6,980,401) | (628,078) |
| **Capital and reserves** | | | |
| Share capital | 13 | 110,000 | 110,000 |
| Retained losses | | (7,090,401) | (738,078) |
| **Total equity** | | (6,980,401) | (628,078) |

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



S Bhaiji
Director

The notes on pages 18 to 33 form an integral part of these financial statements.

# Inver Reinsurance Brokers Limited

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

| | Share capital £ | Retained losses £ | Total £ |
|---|---|---|---|
| At 1 January 2022 | 110,000 | (738,078) | (628,078) |
| Loss for the year | - | (6,352,323) | (6,352,323) |
| At 31 December 2022 | 110,000 | (7,090,401) | (6,980,401) |

| | Share capital £ | Retained losses £ | Total £ |
|---|---|---|---|
| At 1 January 2021 | 110,000 | (703,018) | (593,018) |
| Loss for the year | - | (35,060) | (35,060) |
| At 31 December 2021 | 110,000 | (738,078) | (628,078) |

The notes on pages 18 to 33 form an integral part of these financial statements.

## 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.

The financial statements for the year ended 31 December 2022 were authorised for issue by the Board on 20 September 2023 and the Statement of Financial Position was signed on the board's behalf by S Bhaiji.

## 2 Accounting policies

### Summary of significant accounting policies and key accounting estimates

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

### Basis of preparation

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

The financial statements are presented in GBP sterling (£), which is also the Company's functional currency.

These financial statements have been prepared under the historical cost convention, as modified to use a different measurement basis where necessary to comply with FRS 101.

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

### 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 paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment concerning details of the number and weighted average exercise price of share options and how the fair value of goods or services received was determined;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64 (q)(ii), B66 and B67 of IFRS 3 Business Combinations, which includes among other exemptions the requirement to include a comparative period reconciliation for goodwill;
- the requirements of IFRS 7 Financial Instruments: Disclosures and of paragraphs 91-99 of IFRS 13 Fair Value Measurement;

**2 Accounting policies (continued)**

- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to provide comparative period reconciliations in respect of outstanding shares, property, plant and equipment and intangible assets;
- the requirements in paragraph 10(d) and 111 of IAS 1 Presentation of Financial Statements to prepare a Cash flow statement and the requirements in IAS 7 Statement of Cash Flows regarding the same;
- the requirements of paragraphs 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 30 and 31 in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors regarding disclosure of new IFRS standards not yet effective at the reporting date and their potential impact;
- the requirements in paragraphs 17 and 18A of IAS 24 Related Party Disclosures and the requirements in IAS 24 to disclose related party transactions entered into between two or more members of the Group, provided that any subsidiary which is party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 130(f)(ii) -(iii), 134(d) - 134(f) and 135(c) - 135(e) of IAS 36 Impairment of Assets in respect of disclosure of valuation techniques, assumptions on which projections used in the impairment review are based and sensitivity analysis.

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

Judgements made by the directors in the application of these accounting policies that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are discussed in the Critical accounting judgements and key sources of estimation uncertainty disclosure on page 27.

**Going concern**

The financial statements of the Company have been prepared on a going concern basis. At 31 December 2022 the Company had net liabilities of £6,980k (2021: £628k) and net current liabilities of £6,982k (2021: £628k). The net current liabilities include amounts receivable from related parties of £1,080k (2021: £Nil), and amounts due to related parties of £7,270k (2021: £627k). The Company reported a loss before tax of £7,728k (2021: £39k).

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

**2 Accounting policies (continued)**

- The Company's and the Group's capital structure, operations and liquidity.
- Base case and stressed cash flow forecasts over the calendar years 2023 and 2024.
- The impact on the base case and stressed cashflow forecasts arising from subsequent material acquisitions.
- The principal risks facing the Company and its systems of risk management and internal control.
- The Company's financial position and Group entities' ability to meet intercompany obligations, noting that the Group's capital management, among other things, aims to ensure that the Group meets its financial covenants attached to its interest-bearing loans and borrowings.
- Actual trading and cashflows of the Company during the year and since the year end.
- A letter of financial support from the Group confirming resources will be made available to support the Company's ongoing operations as a going concern.

Key assumptions that the board has made in preparing the base case cash flow forecasts include client retention, renewal rates and new business remain robust and the market conditions continue to be favourable despite the current economic uncertainty, as the 2022 and 2023 to date trading performance continues to demonstrate resilience.

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

- Shortfalls in base case projected income throughout 2023 and 2024.
- Deterioration in base case cash conversion rates over and above the shortfalls in income.
- An inflationary cost increase of 2% over the base case assumptions.
- The impact of increasing interest rates.
- Mitigating actions within management control including delayed capital expenditure, a reduction in discretionary spend and measured reductions in employee headcount and remuneration.

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

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

**2 Accounting policies (continued)**

- Insurance broking is a resilient and defensive market, which has historically had limited impact from past economic or capital market downturns. The Group is highly diversified and not unduly exposed to a single carrier, customer or market sector.
- Although economic developments remain fluid, the stress testing demonstrates the Company's and 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 Company has no appetite for potential breaches of applicable sanctions regimes and applies appropriate controls including automated screening of clients against relevant sanctions lists. We continue to actively monitor the situation as it develops and will respond accordingly as new sanctions are enacted.
- The Company continues to monitor the risk of cyberattacks, but the Group has not identified any significant cybersecurity risks during the period ended 31 December 2022.

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

**Financial instruments**

**Recognition and initial measurement**

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

**Derecognition**

*Financial assets*

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

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

## 2 Accounting policies (continued)

*Financial liabilities*

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

**Offsetting**

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

**Classification and subsequent measurement of financial assets**

The Company classifies its financial assets in the following measurement categories:
• Amortised cost;
• Fair value through profit or loss (FVTPL)

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

**Financial assets classified as amortised cost**

Financial assets that meet the following conditions are classified and subsequently measured at amortised cost:
• the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Company's financial assets measured at amortised cost include trade and other receivables (except for certain other receivables measured at FVTPL, see below), advances to related parties, cash and cash equivalents and certain other financial assets.

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

## 2 Accounting policies (continued)

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

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

**Financial assets classified as FVTPL**
Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL.
- Debt instruments (including receivables) that do not meet the amortised cost 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.

Other financial assets measured at FVTPL include receivables recognised on a business combination in relation to the Company's right to variable consideration on rolling contracts with customers for which the performance obligation was satisfied prior to the acquisition. These financial assets are not classified at amortised cost or fair value through other comprehensive income, because their cash flows do not represent solely payments of principal and interest.

**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. The Company recognises a loss allowance for such losses at each reporting date.

The Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 months ECL.

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

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

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

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

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

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

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

**2 Accounting policies (continued)**

*Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:
• significant financial difficulty of the counterparty;
• a breach of contract, such as a default or past due event;
• the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession that the lender(s) would not otherwise consider;
• it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
• the disappearance of an active market for that financial asset because of the financial difficulties.

*Write-off policy*

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

**Classification and subsequent measurement of financial liabilities**

Financial liabilities are initially measured at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Amounts that are payable within one year are measured at the undiscounted amount of the amount expected to be payable.

Where a financial liability constitutes a financing transaction it is initially measured at present value and subsequently measured at the fair value of the future payments, discounted at a market rate of interest.

**Financial liabilities at fair value through the profit or loss**

Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative liabilities.

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

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

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

**2 Accounting policies (continued)**

**Share capital**
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

**Foreign currencies and hedging**
Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences arising on translation are taken directly to the profit and loss account.

Exchange differences arising from trading activities are calculated at the prevailing rate and dealt with in the profit and loss account.

**Revenue**
Revenue from brokerage and fees derived from reinsurance contracts and programmes is recognised at the later of the policy inception date or when the policy placement has been completed. Revenues from binding authorities and treaties are recognised on a periodic basis when the consideration due is confirmed by third parties.

Profit commission, which the Company earns on facilities it operates on behalf of insurers, is recognised on either a cash settlement basis or when the amount can be determined and insurers make an irrevocable commitment to pay that amount.

Due to the long-term nature of some of the services provided by the Company to its clients, obligations can arise for the performance of post-placement activities. Where these are not covered by additional income, a relevant portion of brokerage is deferred and recognised in the periods in which these activities take place.

Alterations to brokerage income arising from premium adjustments are taken into account as and when such adjustments are made. Adjustment to brokerage has been made where a return of premium and brokerage is made, or may be made, subsequent to the end of the financial year.

**Contract costs**
Contract costs are assets recognised in accordance with IFRS 15. The Company capitalises costs to fulfil contracts with customers which are salary and other costs of customer-facing employees who undertake activities necessary to satisfy contracts with the customer. The Company estimates the proportion of costs that are eligible to be capitalised based on the time spent by customer-facing employees on relevant inception/renewal activities. Capitalised costs are released to profit or loss on inception or renewal of the contract with the customer, which normally takes place within 1-3 months of the reporting period. Contract costs are presented within 'other assets' when recognised in the statement of financial position.

## 2 Accounting policies (continued)

### Employee benefits

*Pension costs*

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

The costs of the Company's defined contribution pension schemes are charged to the Statement of Comprehensive Income in the year in which they fall due.

### 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*

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income.

*Deferred tax*

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date. The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

## 3 Critical accounting judgements and key sources of estimation uncertainty

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

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

## 4 Revenue

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

| | 2022<br>£ | 2021<br>£ |
|---|---|---|
| Commission and fees | 6,138,894 | - |
| | 6,138,894 | - |

Turnover consists entirely of sales made in North America.

## 5 Operating loss

Arrived at after charging:

| | 2022<br>£ | 2021<br>£ |
|---|---|---|
| Auditor's remuneration: audit of these financial statements | 40,970 | 6,113 |
| Intercompany recharges | 17,326 | - |

Included in the current year audit fee for the audit of these financial statements is £7,970 in respect of additional fees agreed for the prior year audits.

## 6 Staff costs

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

| | 2022<br>£ | 2021<br>£ |
|---|---|---|
| Wages and salaries | 8,216,204 | - |
| Social security costs | 936,781 | - |
| Pension costs, defined contribution scheme | 592,176 | - |
| Redundancy costs | 220,369 | - |
| | 9,965,530 | - |

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

| | 2022<br>No. | 2021<br>No. |
|---|---|---|
| Administration | 1 | - |
| Sales | 27 | - |
| Management | 7 | - |
| | 35 | - |

The Company had no employees in the preceding period. All administration was performed by employees of the Group, for which no recharge was 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 Ardonagh Group Holdings Limited and/or other fellow subsidiaries. Their total emoluments are included in the consolidated financial statements of Ardonagh Group Holdings Limited. It is impracticable to determine the proportionate amount of emoluments relating to the Company.

## 8 Income tax

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

| | 2022<br>£ | 2021<br>£ |
|---|---|---|
| **Current taxation** | | |
| UK corporation tax | (1,374,481) | - |
| Adjustments in respect of prior periods | - | (4,154) |
| **Total current taxation** | (1,374,481) | (4,154) |
| **Deferred taxation** | | |
| Origination and reversal of temporary differences | (10,217) | - |
| Adjustments in respect of prior periods | 8,689 | - |
| Effect of tax rate change on opening balance | - | - |
| **Total deferred taxation** | (1,528) | - |
| **Tax credit in the Statement of Comprehensive Income** | (1,376,009) | (4,154) |

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.

| | 2022<br>£ | 2021<br>£ |
|---|---|---|
| Loss before tax | (7,728,332) | (39,214) |
| Corporation tax at standard rate of 19% (2021: 19%) | (1,468,383) | (7,451) |
| Adjustments to tax charge in respect of previous periods - current tax | - | (4,154) |
| Adjustments to tax charge in respect of previous periods - deferred tax | 8,689 | - |
| Expenses not deductible for tax purposes | 93,902 | 6,290 |
| Movement in deferred tax not recognised | - | 1,528 |
| Movement in deferred tax now recognised | (10,217) | - |
| Remeasurement of deferred tax for changes in tax rates | - | (367) |
| Total tax credit | (1,376,009) | (4,154) |

## 8 Income tax (continued)

**Deferred tax**

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

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

| 2022 | Asset £ |
|---|---|
| Losses | 1,528 |

| 2021 | Asset/(Liability) £ |
|---|---|
| Losses | - |

Deferred tax movement during the year:

| | At 1 January 2022 £ | Recognised in income £ | At 31 December 2022 £ |
|---|---|---|---|
| Losses | - | 1,528 | 1,528 |

Deferred tax movement during the prior year:

| | At 1 January 2021 £ | At 31 December 2021 £ |
|---|---|---|
| Losses | - | - |

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.

| | 2022 £ | 2021 £ |
|---|---|---|
| Losses | - | 1,528 |
| Unrecognised deferred tax assets | - | 1,528 |

## 9 Cash and cash equivalents

| | 2022 £ | 2021 £ |
|---|---|---|
| Fiduciary funds | 180 | - |

Fiduciary funds represent client money used to pay premiums to underwriters, to settle claims to policyholders and to defray commission and other income. Fiduciary funds are not available for general corporate purposes.

## 10 Trade and other receivables

| | 2022 £ | 2021 £ |
|---|---|---|
| Receivables from other Group companies | 1,080,415 | - |
| Prepayments | 52,238 | - |
| Other receivables | 53,077 | - |
| Other assets | 310,382 | - |
| | 1,496,112 | - |

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

Other assets includes cost to fulfil contracts with customers of £310,382 (2021: £Nil), which is presented within and included in trade and other receivables in the Statement of Financial Position. Costs to fulfil include salary and other costs of customer-facing employees who undertake activities necessary to satisfy anticipated contracts with the customer.

## 11 Trade and other payables

| | 2022 £ | 2021 £ |
|---|---|---|
| **Current trade and other payables** | | |
| Accrued expenses | 1,027,073 | - |
| Amounts due to other Group companies | 7,270,449 | 627,031 |
| Other payables | 20,896 | 5,201 |
| | 8,318,418 | 632,232 |

### 11 Trade and other payables (continued)

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

In reaching their view on the preparation of the Company's financial statements on a going concern basis, the directors have considered the letter of support provided by Ardonagh Group Holdings Limited. 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.

### 12 Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The total cost charged to the Statement of Comprehensive Income of £592,175 (2021: £Nil) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2022, contributions of £Nil (2021: £Nil) due in respect of the current reporting year had not been paid over to the schemes.

### 13 Share capital

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

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | No. | £ | No. | £ |
| Ordinary shares of £1 each | 110,000 | 110,000 | 110,000 | 110,000 |

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.

### 14 Related party transactions

During the year the Company entered 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.

### 15 *Parent and ultimate parent undertaking*

The immediate parent company is Ardonagh Specialty Holdings Limited and the ultimate parent company is Tara Topco Limited.

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

2 Minster Court
Mincing Lane
London
EC3R 7PD

### 16 Subsequent events

There are no known subsequent events at the point of signing.