

COMPANY REGISTRATION NUMBER: 11711544

Markerstudy (Affinity) Holdings Limited
Financial Statements
31 December 2021



Markerstudy (Affinity) Holdings Limited

Financial Statements

Year ended 31 December 2021

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Markerstudy (Affinity) Holdings Limited

Officers and Professional Advisers

The board of directors

G Humphreys
C T Collings
K J Barber
K R Spencer

Company secretary

C J Payne

Registered office

45 Westerham Road
Bessels Green
Sevenoaks
Kent
TN13 2QB

Auditor

RSM UK Audit LLP
Chartered accountants
Davidson House
Forbury Square
Reading
RG1 3EU

Bankers

National Westminster Bank Plc
27 South Street
Worthing
West Sussex
BN11 3AR

Markerstudy (Affinity) Holdings Limited

Strategic Report

Year ended 31 December 2021

Review of the business and future outlook

The company is a wholly owned subsidiary of Markerstudy Holdings (UK) Limited and sits within Markerstudy's Retail Division.

There are no future developments with regard to the Company's activity as an intermediate holding company and, whilst directors remain alert to opportunities within the sector, no such opportunities are currently being pursued.

Costs increased during the year due to limited trading in the prior year. The directors were pleased with the 2021 performance and believe the company is well placed to move forwards.

	2021	2020
	£	£
Administrative Expenses	40,133	11,511
Operating loss	40,034	11,511

The increase in expenses is due to the minimal trading activity in 2020.

Net liabilities increased from £350,818 to £4,543,100 as a result of a significant increase in interest falling due on bank loans.

Post balance sheet events

Acquisition of BISL Limited and its subsidiaries BFSL Limited, ACM URL Limited and BGL Direct Life Limited (BGL Insurance)

On 29 April 2022 the Markerstudy Group completed on the purchase of the Budget Insurance underwriting business, whereby it acquired BISL Limited, BFSL Limited, ACM URL Limited and BGL Direct Life Limited (BGL Insurance). BGL Insurance (BGLi) is a leading distributor in the insurance market and the group had a strong relationship with BGLi prior to the acquisitions, acting as an outsource partner to a number of Markerstudy brands, such as Co-op Eco, Zenith and Geoffrey. In addition to this BGLi places all glass replacement and repair through Auto Windscreens.

Clegg Gifford

On the 24th December 2021 the Markerstudy Group announced it had completed on the deal to acquire Lloyd's broker Clegg Gifford subject to regulatory approval. Formed in 1968 as a general insurance broker, Clegg Gifford later evolved into a Lloyd's broker and specialist in the UK motor trade market segment. Tradex Insurance Services is also being acquired as part of this same transaction. The Group have received FCA approval for Clegg Gifford and are awaiting PRA approval for Tradex Insurance Services. The two transactions will need to complete at the same time, and are expected to complete by end of October 2022.

CVC debt facility

During 2020 and 2021 the Group sourced a debt raise to enable the purchase of Clegg Gifford and Budget Group. On 29 April 2022 the Group agreed to a £460m debt facility with CVC Credit Partners, of which £385m is a unitranche debt facility and £75m is a RCF debt facility. As of 31 August 2022, the Group has drawn down c£297.6m of the facility, of which £267.6m relates to the unitranche facility and £30m relates to the RCF facility. The remaining balance of the unitranche facility is ring-fenced for the pending acquisition of Clegg Gifford, while the remaining balance of the RCF facility is available for working capital and cash flows.

Markerstudy (Affinity) Holdings Limited

Strategic Report

Year ended 31 December 2021

Results and dividends

The loss for the year, after taxation, amounted to £4,192,282 (2020: £350,819 loss). The directors recommended that no dividends were to be paid for the year (2020: £Nil).

Principal risks and uncertainties

Management consider that the principal risks and uncertainties during the year were integrated with those of the group and were not managed separately. The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by management, risk management and internal audit. Compliance with regulation, legal and ethical standards is a high priority for the company and the compliance team and finance department take on an important oversight role in this regard. The Board is responsible for satisfying itself that a proper internal control framework exists to manage financial risks and that controls operate effectively.

Markerstudy (Affinity) Holdings Limited has developed a framework for identifying the risks that the business sectors are exposed to and their impact on economic capital.

The principal risk to the company and its subsidiary, Affinity Insurance Solutions Limited, is a failure for pricing increases to keep pace with inflation. Changes to the distribution models in the UK also remain a risk. The internet has emerged as the most significant source of new business in recent years. Continually developing a strategy to capitalise on these emerging trends is essential. A wholesale shift in the UK intermediary market resulting in withdrawal of this distribution sector would impact the business model.

Covid-19 pandemic

The continued ongoing worldwide pandemic of Covid-19 made a significant impact on short term performance of the group. Markerstudy (Affinity) Holdings Limited have waived fees where the change has been due to COVID-19, and have offered payment holidays for policyholders who have been financially impacted by COVID-19. These actions will reduce income and also increase the risk of debt. However, management have decided to support the policyholders during this difficult time with the aim that the company will retain the business for longer. Management is discussing other options considering areas within the retail division where it can refocus on higher contribution areas of the business, centralise support functions and implement other cost savings in the longer term. There is a great deal of uncertainty as to the longevity of the Covid-19 crisis. However, the post year end cash flows have been positive and the directors are committed to supporting Markerstudy (Affinity) Holdings Limited and this is expected to continue for the foreseeable future. The impact of Covid-19 is also considered in the going concern accounting policy in note 3 on pages 13 and 14.

The risks identified above are in respect of the insurance broking business and only affect the company to the extent that it is connected to the group and external insurance activities and performance for its turnover. The company's other risks are in respect of the management of its expenses.

(a) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The company manages this risk through an established credit committee which reviews and authorises credit facilities to counterparties after appropriate credit analysis has been performed.

(b) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Board sets limits on the modified duration of its investments and maintains a significant proportion of its investments in liquid assets to enable any such calls to be met.

Markerstudy (Affinity) Holdings Limited

Strategic Report

Year ended 31 December 2021

Energy and carbon reporting

As the company has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

S.172 Companies Act 2006: Statement of director's duties to stakeholders

The board of directors of Affinity Insurance Solutions believe that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and with regard to the other matters as detailed in S.172 (a) - (f).

Long-term consequences of decisions

Management prepare annual forecasts for the 5-year period ahead, which include modelling of the impact of key decisions made within the Markerstudy Group Holdings Limited group (MGHL), such as the impact of the CIS General Insurance Limited (CISGIL) acquisition by MGHL, in order to assess their viability. The board aims to grow the company's business, creating sustainable profits by developing new opportunities for the business and our people.

Employee Engagement

The board is committed to its focus on employee's working environment and career development opportunities, which has helped the company achieve its 'Investors in People' accreditation. A number of initiatives developed by the company including the 'Shooting Stars' programme for leaders of the future, and 'ALEX' the Group's apprenticeship syllabus, have all contributed to the company achieving the accreditation. The company has also developed core values, 'V10', which helps maintain the culture and keeps staff attitudes to work aligned. Due to the covid-19 pandemic, the majority of the staff base are now working from home. The board is committed to enhancing the channels of communication during this time, to ensure staff are listened to and are able to continue working effectively.

Key external stakeholder engagement - customers and suppliers

The company has many long-standing and highly successful relationships with customers and suppliers. The company's ethos is to promote fairness and integrity in customer service and commit to 'putting the fun into insurance', for the benefit of our customers, employees and the community. Our customers are at the heart of everything we do, and the board is committed to treating customers fairly. The company is also committed to building strong positive relationships with a wide range of insurers, brokers, managing general agents and other distribution channels.

Impact on the community and the environment

The board considers the company's impact on the wider community and environment. The 'motiv8' initiative supports staff in their community and charity fundraising activities. The board also aims to encourage green initiatives to reduce our carbon footprint, as well as promoting safe driving for the next generation.

This report was approved by the board of directors on 12 October 2022 and signed on behalf of the board by:



K J Barber
Director

Registered office:
45 Westerham Road
Bessels Green
Sevenoaks
Kent
TN13 2QB

Markerstudy (Affinity) Holdings Limited

Directors' Report

Year ended 31 December 2021

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

Principal activities

The principal activity of the company during the year was that of a financial services holding company.

Directors

The directors who served the company during the year and up to the date of signature of the financial statements were as follows:

G Humphreys
K J Barber
K R Spencer
C T Collings (Appointed 14 July 2021)

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 20 to the financial statements.

Dividends

The directors do not recommend the payment of a dividend.

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should as far as possible, be identical to that of a person who does not suffer from a disability.

Employee involvement

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests. All employees are aware of the financial and economic performance of their business units and of the Markerstudy group as a whole. Communication with all employees continues through an in-house newspaper and newsletters, briefing groups and the distribution of the annual report.

Disclosure of information in the strategic report

The Company has chosen in accordance with Companies Act 2006, S.414 c(11) to set out in the Company's strategic report, information required by Large and Medium-sized Companies and Groups (accounts and reports) regulations 2008, schedule 7 to be contained in the Directors' report. It has done so in respect of the future developments of the Company and financial risk management.

Markerstudy (Affinity) Holdings Limited

Directors' Report

Year ended 31 December 2021

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board of directors on 12 October 2022 and signed on behalf of the board by:



K J Barber
Director

Registered office:
45 Westerham Road
Bessels Green
Sevenoaks
Kent
TN13 2QB

Markerstudy (Affinity) Holdings Limited

Directors' Responsibilities Statement

Year ended 31 December 2021

The directors are responsible for preparing the directors' 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). 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 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 judgments 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;
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARKERSTUDY (AFFINITY) HOLDINGS LIMITED

Opinion

We have audited the financial statements of Markerstudy (Affinity) Holdings Limited (the 'company') for the year ended 31 December 2021 which comprises the statement of income and retained earnings, the statement of financial position and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARKERSTUDY (AFFINITY) HOLDINGS LIMITED

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.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, 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.

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

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARKERSTUDY (AFFINITY) HOLDINGS LIMITED

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from internal/external tax advisors.

There are no significant laws and regulations that have an indirect impact on the financial statements.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business.

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

Use of our report

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

Caroline Watson

Caroline Watson ACA (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

Davidson House
Forbury Square
Reading
Berkshire,

RG1 3EU

Date 13 October 2022

Markerstudy (Affinity) Holdings Limited

Statement of Income and Retained Earnings

Year ended 31 December 2021

	Note	2021 £	2020 £
Administrative expenses		(40,133)	(11,511)
Other operating income	4	99	—
Operating loss	5	(40,034)	(11,511)
Other interest receivable and similar income	8	762,148	57,534
Interest payable and similar expenses	9	(4,914,396)	(396,842)
Loss before taxation		(4,192,282)	(350,819)
Tax on loss	10	—	—
Loss for the financial year and total comprehensive income		(4,192,282)	(350,819)
Retained losses at the start of the year		(350,819)	—
Retained losses at the end of the year		(4,543,101)	(350,819)

All the activities of the company are from continuing operations.

The notes on pages 13 to 20 form part of these financial statements.

Markerstudy (Affinity) Holdings Limited

Statement of Financial Position

31 December 2021

	Note	2021 £	2020 £
Fixed assets			
Investments	11	87,095,478	87,095,478
Current assets			
Debtors	12	3,960,559	–
Cash at bank and in hand	13	25,653,032	25,591,546
		<u>29,613,591</u>	<u>25,591,546</u>
Creditors: amounts falling due within one year	14	(49,472,246)	(407,842)
Net current (liabilities)/assets		<u>(19,858,655)</u>	<u>25,183,704</u>
Total assets less current liabilities		67,236,823	112,279,182
Creditors: amounts falling due after more than one year	15	(71,779,923)	(112,630,000)
Net liabilities		<u>(4,543,100)</u>	<u>(350,818)</u>
Capital and reserves			
Called up share capital	16	1	1
Profit and loss account	17	(4,543,101)	(350,819)
Shareholders deficit		<u>(4,543,100)</u>	<u>(350,818)</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

These financial statements were approved by the board of directors and authorised for issue on 12 October 2022, and are signed on behalf of the board by:



K J Barber
Director

Company registration number: 11711544

The notes on pages 13 to 20 form part of these financial statements.

Markerstudy (Affinity) Holdings Limited

Notes to the Financial Statements

Year ended 31 December 2021

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is 45 Westerham Road, Bessels Green, Sevenoaks, Kent, TN13 2QB.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland', and the requirements of the Companies Act 2006.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity, and are rounded to the nearest £.

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Markerstudy Group Holdings Limited, a company registered in the United Kingdom. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) No cash flow statement has been presented for the company.
- (b) Disclosures in respect of financial instruments have not been presented.
- (c) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidated accounts exemption

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Going concern

The group of companies headed by Venus Topco Limited as at 31 December 2021 (the 'Markerstudy Group') and Markerstudy (Affinity) Holdings Limited (the 'Company') are expected to generate positive cash flows for a period of at least 18 months from the date of approval of these financial statements.

On 27 January 2021 the directors of the Markerstudy Group agreed to a capital injection deal, in excess of £200m, led by Pollen Street Capital ("PSC") which completed on 14 July 2021. The capital injection was split as follows: £91.8m from PSC via a combination of senior preference shares and A ordinary shares; £29.0m from Qatar Insurance Company ("QIC") via a combination of mid preference shares and A ordinary shares and third party unitranche senior debt of £92.6m. The deal has enabled the Markerstudy Group to satisfy all its prior financial obligations to QIC.

Markerstudy (Affinity) Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

3. Accounting policies *(continued)*

Going concern *(continued)*

As part of this transaction, the Markerstudy Group has been restructured. Following the restructure, the ultimate parent company in place at 1 January 2021, Markerstudy Holdings Limited ("MHL"), and one of its subsidiaries, Markerstudy International Limited, are expected to be liquidated in the near future. All of their assets and liabilities have already been transferred, and accepted, by other group companies at their carrying value without adjustment. The remaining subsidiary entities continue to operate under the new group structure, with Venus Topco Limited the new ultimate parent company.

Venus Topco Limited has provided a letter of support confirming that its commitment is to continue to provide financial support to the Company such that it will continue to be able to meet its obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements. The Group is forecast to generate positive future cash flows, after servicing debt and capex, and Management are therefore confident that Venus Topco Limited will have sufficient positive cash flows to support the Company.

Due to the completion of the capital injection deal led by PSC in 2021 and the strengthening results of the Group since the easing of lockdown restrictions in 2022, and the support from Venus Topco Limited, the Directors are confident that the Company will have adequate resources to continue in operational existence for the foreseeable future. Subsequent to the year end, Management have also sourced a debt facility through CVC Credit Partners, which is detailed in note 20, and is comprised of a £385m unitranche debt facility and £75m RCF debt facility. As at August 2022, the Group had drawn down c£267.6m of the unitranche debt facility, with the remaining balance ring-fenced for the pending acquisition of Clegg Gifford, also detailed in note 20. The Group has drawn down £30m of the RCF facility; the remaining balance is available for working capital and cash flows. The acquisitions after the year end, as detailed in note 20, have also contributed to the growth and recovery of the Group. For these reasons, management continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Management are monitoring inflation alongside the current cost of living and energy crises. The longevity and impact of these issues on the Markerstudy Group are difficult to predict and will be largely dependent on the UK government's response. Some increases to overheads, such as property and fuel costs, will be unavoidable. Management will continue to review the Group's cost base and identify any areas where cost savings can be made to mitigate these including looking at new energy providers and leveraging on the Group's size and strength to lower or cap costs. In addition, management will look at hedging interest rates to help with the potential increases in rates to reduce the Group's exposure.

The directors continue to monitor the effect of the ongoing worldwide pandemic of Covid-19, which has had an impact on the short term performance of the Company as detailed in the Strategic Report on pages 2 to 4. Despite the continued widespread roll out of a Covid-19 vaccine, there is still some uncertainty due to several variants that have become prevalent globally. The UK Government are reluctant to reintroduce a full national lockdown, but it cannot be ruled out. There is medium to long term uncertainty and risk as a result of this, however greater understanding of these risks will be known when the longer-term effect of the pandemic is clearer and to what extent it changes demand and working practices.

Markerstudy Group Management took several steps throughout the Covid-19 pandemic to mitigate the impacts caused by it. The Markerstudy Group is now seeing revenue and volumes recovering to pre-pandemic levels. Despite the ongoing uncertainty as to the longevity of the Covid-19 crisis and its continued impact, the directors now feel that they are in a better position to be able to predict and where possible react should any further impact from the pandemic arise.

Markerstudy (Affinity) Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

3. Accounting policies *(continued)*

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable. Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Cash and cash equivalents include cash in hand and deposits held at call with banks.

Trade, group and other debtors (including accrued income) which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Markerstudy (Affinity) Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

3. Accounting policies *(continued)*

Financial instruments *(continued)*

Where the arrangement with a debtor constitutes a financing transaction, the debtor is initially measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument and subsequently measured at amortised cost.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Trade, group and other creditors (including accruals) payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled. Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially measured at the present value of future payments discounted at a market rate of interest for a similar instrument and subsequently measured at amortised cost.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Judgements and key sources of estimation uncertainty

In preparing these financial statements, the directors did not have to make any significant judgements or estimates.

4. Other operating income

	2021	2020
	£	£
Other operating income	99	—

5. Operating loss

Operating profit or loss is stated after charging:

	2021	2020
	£	£
Impairment of trade debtors	—	511

Markerstudy (Affinity) Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

6. Auditor's remuneration

	2021 £	2020 £
Fees payable for the audit of the financial statements	<u>15,000</u>	<u>10,000</u>
Fees payable to the company's auditor and its associates for other services:		
Taxation advisory services	<u>1,000</u>	<u>1,000</u>

7. Staff costs

There were no employees during the current or prior year apart from the directors, who are remunerated by other group companies.

8. Other interest receivable and similar income

	2021 £	2020 £
Interest on bank deposits	<u>762,148</u>	<u>57,534</u>

9. Interest payable and similar expenses

	2021 £	2020 £
Other interest payable and similar charges	<u>4,914,396</u>	<u>396,842</u>

10. Tax on loss

Major components of tax income

	2021 £	2020 £
Current tax:		
UK current tax income	<u>-</u>	<u>-</u>
Tax on loss	<u>-</u>	<u>-</u>

Reconciliation of tax expense

The tax assessed on the loss on ordinary activities for the year is higher than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%).

	2021 £	2020 £
Loss on ordinary activities before taxation	<u>(4,192,282)</u>	<u>(350,819)</u>
Loss on ordinary activities by rate of tax	<u>(796,534)</u>	<u>(66,656)</u>
Group relief surrendered	795,070	66,656
Expenses not deductible for tax purposes	5,700	-
Movement in deferred tax not recognised	<u>(4,236)</u>	<u>-</u>
Tax on loss	<u>-</u>	<u>-</u>

Markerstudy (Affinity) Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

11. Investments

	Shares in group undertakings £
Cost	
At 1 January 2021 and 31 December 2021	87,095,478
Impairment	
At 1 January 2021 and 31 December 2021	—
Carrying amount	
At 31 December 2021	87,095,478
At 31 December 2020	87,095,478

The Company's subsidiary undertakings as at the year end were as follows:

Company name	Country of incorporation	Nature of business	% held by the Company
Affinity Insurance Solutions Limited	United Kingdom	Insurance broker	100%

12. Debtors

	2021 £	2020 £
Amounts owed by group undertakings	3,741,389	—
Prepayments and accrued income	219,170	—
	<u>3,960,559</u>	<u>—</u>

Included in amounts owed by group undertakings are amounts of £3,241,390 (2020: £nil) which, when received, is ring-fenced and not readily available to the company until amounts due to TwinFocus Capital Partners totalling £2,500,000 (2020: £2,500,000) and GSO Capital Partners of £44,279,923 (2020: £42,000,000) are repaid in full. Further details of these loans can be found in note 15. Amounts owed by group undertakings are non-interest bearing and repayable on demand.

13. Cash and cash equivalents

Included in cash and cash equivalents are amounts of £25,651,370 (2020: £25,057,534) which are ring-fenced and not readily available to the company until amounts due to TwinFocus Capital Partners totalling £2,500,000 (2020: £2,500,000) and GSO Capital Partners of £44,279,923 (2020: £42,000,000) are repaid in full. Further details of this loan can be found in note 15. The remaining cash is freely available for working capital.

Markerstudy (Affinity) Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

14. Creditors: amounts falling due within one year

	2021 £	2020 £
Amounts owed to group undertakings	48,941,389	–
Accruals and deferred income	15,000	11,000
Other creditors	515,857	396,842
	<u>49,472,246</u>	<u>407,842</u>

Amounts owed to group undertakings and other creditors are non-interest bearing and repayable on demand.

15. Creditors: amounts falling due after more than one year

	2021 £	2020 £
Bank loans and overdrafts	46,779,923	44,500,000
Amounts owed to group undertakings	–	33,130,000
Accruals and deferred income	25,000,000	35,000,000
	<u>71,779,923</u>	<u>112,630,000</u>

Included in bank loans and overdrafts are amounts due to GSO Capital Partners of £44.3m (2020: £42m) and amounts due to Twinfocus Capital Partners of £2.5m (2020: £2.5m). Interest is charged on both these loans at a rate of 10.5% per annum.

16. Called up share capital

Issued, called up and fully paid

	2021		2020	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

The company's ordinary shares, which do not carry the right to fixed income, each carry the right to one vote at general meetings of the company.

17. Reserves

Profit and loss account – cumulative profit and loss net of distributions to owners.

18. Related party transactions

As a wholly owned subsidiary of Venus Topco Limited, the company has taken advantage of the exemption not to disclose transactions with other 100% owned members of the group headed by Venus Topco Limited under Financial Reporting Standard 102.

19. Controlling party

At the start of the year the immediate parent undertaking was Markerstudy Holdings (UK) Limited, a company registered in the United Kingdom. The ultimate parent company was Markerstudy Holding Limited, a company registered in Gibraltar.

Markerstudy (Affinity) Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

19. Controlling party *(continued)*

On 15 July 2021 the Markerstudy Group was restructured. The new immediate parent undertaking is Markerstudy Holdings (UK) Limited, a company registered in the United Kingdom. The new ultimate holding company is Venus Topco Limited, a company registered in Jersey. The consolidated financial statements of Venus Topco Limited can be obtained from PO Box 656, East Wing Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3PP.

The new ultimate parent undertaking is PSC Nominee 4 Limited, as nominee for PSC IV LP, PSC IV B LP and PSC IV (C) SCSp. The Company's ultimate controlling party are PSC IV LP, PSC IV B LP and PSC (C) SCSp, funds managed by Pollen Street Capital Limited (a subsidiary of Pollen Street Capital Holdings Limited).

20. Events after the end of the reporting period

Acquisition of BISL Limited and its subsidiaries BFSL Limited, ACM URL Limited and BGL Direct Life Limited (BGL Insurance)

On 29 April 2022 the Markerstudy Group completed on the purchase of the Budget Insurance underwriting business, whereby it acquired BISL Limited, BFSL Limited, ACM URL Limited and BGL Direct Life Limited (BGL Insurance). BGL Insurance (BGLi) is a leading distributor in the insurance market and the group had a strong relationship with BGLi prior to the acquisitions, acting as an outsource partner to a number of Markerstudy brands, such as Co-op Eco, Zenith and Geoffrey. In addition to this BGLi places all glass replacement and repair through Auto Windscreens.

Clegg Gifford

On the 24th December 2021 the Markerstudy Group announced it had completed on the deal to acquire Lloyd's broker Clegg Gifford subject to regulatory approval. Formed in 1968 as a general insurance broker, Clegg Gifford later evolved into a Lloyd's broker and specialist in the UK motor trade market segment. Tradex Insurance Services is also being acquired as part of this same transaction. The Group have received FCA approval for Clegg Gifford and are awaiting PRA approval for Tradex Insurance Services. The two transactions will need to complete at the same time, and are expected to complete by end of October 2022.

CVC debt facility

During 2020 and 2021 the Group sourced a debt raise to enable the purchase of Clegg Gifford and Budget Group. On 29 April 2022 the Group agreed to a £460m debt facility with CVC Credit Partners, of which £385m is a unitranche debt facility and £75m is a RCF debt facility. As of 31 August 2022, the Group has drawn down c£297.6m of the facility, of which £267.6m relates to the unitranche facility and £30m relates to the RCF facility. The remaining balance of the unitranche facility is ring-fenced for the pending acquisition of Clegg Gifford, while the remaining balance of the RCF facility is available for working capital and cash flows.