Registration number: 12253586

Bishopsgate Energy Limited

Annual Report and Financial Statements

for the Period Ended 31 December 2019

Contents

Company Information

Directors	A Erotocritou R Todd P Burton
Registered office	2 Minster Court London EC3R 7AA United Kingdom
Auditor	Deloitte LLP 1 New Street Square London EC4A 3HQ United Kingdom

Bishopsgate Energy Limited

Strategic Report for the Period Ended 31 December 2019

The directors present their strategic report for the period 10 October 2019 to 31 December 2019 for Bishopsgate Energy 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 period and discusses the main trends and factors that could affect the future. The Company is part of The Ardonagh Group Limited ("the Group").

Principal activities and business review
The principal activity of the company is the provision of wholesale insurance services, being a Lloyds broker.

The results for the Company show turnover of £0.3m and loss after tax of £0.2m for the period. At 31 December 2019 the Company had net liabilities of £0.2m.

The going concern note (part of accounting policies) on pages 15 and 16 sets out the reasons why the directors continue to believe that the preparation of the financial statements on a going concern basis is appropriate, taking into account COVID-19 ramifications.

Business strategy and objectives
The business strategy of the company will focus on providing insurance intermediary across niche and specialist lines of business, and whilst predominantly based in the UK the company recognise 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 them with the best products, advice and service, which can build loyalty and advocacy, which in turn will strengthen reputation and support profits. Serving customers well involves dealing with complaints promptly and effectively, having high standards around underwriting and pricing, and taking a customer-focused approach to sales and marketing. The development of a strong customer base assists in developing income growth which is another objective of the business. The Company aims to both increase retention rates and attract new customers.

The Company also aspires to create a high performance culture, creating excellent customer service through highly engaged employees. The Company aims to attract, develop and promote the best talent and to create a supportive environment in which every employee continuously learns and develops. The Company's culture and competitive remuneration packages enable it to attract and retain key staff. This will also be achieved by creating a shared understanding of the Company's strategic goals and objectives, building the capability of managers and leaders to manage performance and by every employee having the knowledge, skill and capability to perform their role.

Outlook
The Company will focus on increasing retention rates and attracting new customers through placing fundamental importance on putting customers first. The Company also aspires to create a high performance culture, creating excellent customer service through highly engaged employees.

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

	Unit	2019
Revenue	£m	0.2
Loss before tax	£m	(0.3)
Net liabilities	£m	(0.2)

These key indicators are used throughout Ardonagh Specialty and so management deem these sufficient for the review of performance.

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 presentations by senior management and is supported by Company and the wider Ardonagh Group communication plans. Further discussions on employee matters can be found in the directors' report.

Principal risks and uncertainties

Risk management

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 Group Risk Management 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 Group Risk Management Committee. The risks are managed and monitored to be within the agreed risk appetite. If a risk exceeds appetite, management actions will be put in place to bring it within appetite.

The principal risks and their mitigation are as follows:

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 economic and competitive environment and diversification of product lines and channels.

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

The Company and Group have considered the consequences and ramifications of the Covid-19 pandemic. Business Continuity Plans are in place across each of the operating segments, with measures to manage employee absences, access to the wider network of all offices, the efficiency and stability of the Company's infrastructure and the ability for home working for a significant portion of our employee base. Leadership teams and working groups led by senior managers are in place to support operational resilience and taking common-sense precautions with a view to ensuring the wellbeing of colleagues. We continue to review this approach on a daily basis in line with latest global developments and government guidance. Insurance broking is a resilient and defensive market, which has historically had limited impact from past economic or capital market downturns. As a Group, Ardonagh is highly diversified and not materially exposed to a single carrier, customer or market sector.

The Company has sufficient liquidity to withstand a period of potential poor trading resulting from a sustained impact of Covid-19 and closely monitors available liquidity on an ongoing basis.

Operational risk
There is the risk of losses arising from inadequate or failed internal processes or systems, from personnel and / or from external events. The Company is committed to undertaking a series of activities that are linked to the Transformation strategy. These activities are targeted at driving operational effectiveness, cost synergies, and better management of operational risks and have involved substantial investment in systems and technology. In addition, the Company continues to follow a stated strategy of continued development in our people and corporate culture.

The Company's business depends on the ability of employees to process transactions using secure information systems. The capacity to service customers depends on storing, retrieving, processing and managing information. Interruption or loss of information processing capabilities through loss of stored data, the failure of computer equipment or software systems, a telecommunications failure or other disruption could have a material adverse effect on business, results of operations and financial condition. To mitigate these risks the Company has certain disaster recovery procedures in place and 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. This risk is mitigated through a formal control framework, training, professional indemnity insurance and governance oversight. Management closely monitors changes to the regulatory environment.

General Data Protection Regulation
Our computer systems store information about our customers, some of which is sensitive personal data. Database privacy, identity theft and related computer and internet issues are matters of growing public concern and are subject to changes in rules and regulations. Our failure to adhere to or successfully implement processes in response to changing regulatory requirements in this area could result in legal liability or harm to our reputation. Although we have taken reasonable and appropriate security measures to prevent unauthorised access to information stored in our database and to ensure that our processing of personal data complies with the relevant data protection regulations, our technology may fail to adequately secure the private information we maintain in our databases and protect it from theft or inadvertent loss.

Volatility in premiums and insurance market cycle
The Company derives most of its revenue from commissions and fees for broking services. Its commissions are generally based on insurance premiums, which are cyclical in nature and may vary widely based on market conditions. A significant reduction in commissions, along with general volatility or declines in premiums, could have a material adverse effect on the results of operations and the Company's financial condition. This risk is mitigated by ensuring that the Company has a range of products and by diversifying its portfolio. This should reduce the effect of a cycle on one specific class of business.

Future impact of Brexit
As a business that operates primarily in the United Kingdom (UK) and North America, the UK part of the business is affected by economic conditions in the UK and the associated possibility of decline in business and customer confidence. This risk has been exacerbated by the uncertainties surrounding the UK's decision to leave the European Union ("Brexit"). Our typical small to medium-sized business (SME) customers and individual consumers may be more vulnerable to any economic downturn than larger commercial customers, reducing or delaying insurance purchases or making premium payments.

The Brexit decision could lead to the UK leaving the single market for goods and services and the ability of businesses to passport between the UK and other EU countries. The direct impact on the Company is not considered to be significant because it currently conducts little business with other EU countries. Plans are also in progress to establish a regulated entity in Europe.

Approved by the Board on 19/10/2020 and signed on its behalf by:

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A Erotocritou
Director

Directors' Report for the Period Ended 31 December 2019

The directors present their annual report and the audited financial statements for the period ended 31 December 2019.

Directors of the company

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

A Erotocritou (appointed 10 October 2019)

JJ Turnbull (appointed 10 October 2019 resigned 22 September 2020)

RC Ward (appointed 10 October 2019 resigned 10 August 2020)

R Todd (appointed 10 October 2019)

P Burton (appointed 10 October 2019)

All Directors benefit from qualifying third-party indemnity provisions in place during the financial year and at the date of this report. Directors remuneration is included in recharges from the fellow group company.

Dividends
The directors do not recommend a final dividend payment to be made in respect of the financial period ended 31 December 2019.

Financial risk management objectives and policies
Details of financial risk management objectives and policies can be found in the strategic report within the 'Risk management' section on pages 3 and 4.

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

Political donations
The Company has not made any political donations during the year.

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 individual's personal development to ensure that they have the skills required to undertake their role. The Company places considerable value on the involvement of its employees and continues to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company and the Group as a whole. This is achieved by formal and informal meetings, circulation of the Group weekly communications email and Group news posted on the internal website.

Directors' Report for the Period Ended 31 December 2019

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. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

As further described in the subsequent events note, on 14 July 2020, the Group issued new borrowings, which it used to repay its existing borrowings and to fund acquisitions. The Directors' going concern assessment takes into account these new financing arrangements and latest forecasts for the enlarged group.

Subsequent events

The directors have considered the guidance of the UK Financial Reporting Council and events relating to the spread of coronavirus (Covid-19) and have treated this as a non-adjusting subsequent event in these financial statements. Further details of this assessment and the potential impact of Covid-19 can be found in note 2 and note 14 to these financial statements.

Directors' liabilities

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

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. This confirmation is given and should be interpreted in accordance with the provision of S418 of the Companies Act 2006.

Appointment of auditor

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

Approved by the Board on 19/10/2020 and signed on its behalf by:

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A Erotocritou
Director

Directors' Responsibilities Statement

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

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 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;
- 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 taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of Bishopsgate Energy Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Bishopsgate Energy Limited ("the Company"):

• give a true and fair view of the state of the Company's affairs as at 31 December 2019 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 15.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.
We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

• the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or

• the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent Auditor's Report to the Members of Bishopsgate Energy Limited

Other information

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

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent Auditor's Report to the Members of Bishopsgate Energy Limited

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.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

• adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

• the financial statements are not in agreement with the accounting records and returns; or

• certain disclosures of directors' remuneration specified by law are not made; or

• we have not received all the information and explanations we require for our audit.
We have nothing to report in respect of these matters.

Use of our report

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

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Andrew Downes ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
London
United Kingdom
19 October 2020

Bishopsgate Energy Limited

Statement of Comprehensive Income for the Period 10 October 2019 to 31 December 2019

	Note	2019 £
Revenue	4	207,223
Administrative expenses		(506,236)
Operating loss	5	(299,013)
Loss before tax		(299,013)
Income tax credit	7	54,707
Net loss for the year		(244,306)

The above results were derived from continuing operations.

The notes on pages 14 to 27 form an integral part of these financial statements.

Bishopsgate Energy Limited
(Registration number: 12253586)

Statement of Financial Position as at 31 December 2019

	Note	2019 £
Assets		
Current assets		
Trade and other receivables	8	1,000
Income tax asset		54,707
Total assets		55,707
Equity and liabilities		
Equity		
Called up share capital	9	1,000
Other reserves	11	11,097
Retained losses		(244,306)
		(232,209)
Current liabilities		
Trade and other payables	10	287,916
Total equity and liabilities		55,707

Approved by the Board on 19/10/2020 and signed on its behalf by:

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A Erotocritou
Director

The notes on pages 14 to 27 form an integral part of these financial statements.

Bishopsgate Energy Limited

Statement of Changes in Equity for the Period Ended 31 December 2019

	Share capital £	Other reserves £	Retained losses £	Total £
Incorporation 10 October 2019 (note 9)	1,000	-	-	1,000
Net loss for the year	-	-	(244,306)	(244,306)
Share based payment transactions (note11)	-	11,097	-	11,097
At 31 December 2019	1,000	11,097	(244,306)	(232,209)

The notes on pages 14 to 27 form an integral part of these financial statements.

Notes to the Financial Statements for the Period Ended 31 December 2019

1 Authorisation of financial statements

The company is a private company limited by share capital incorporated and registered in England, in the United Kingdom under Companies Act 2006.

The address of its registered office is 2 Minster Court, London, England, EC3R 7PD. The principal business activities of the Company are described in the Strategic Report.

The Company was incorporated on 10 October 2019 and the financial statements are therefore for the period 10 October 2019 to 31 December 2019. The financial statements were authorised for issue by the Board on 27 August 2020 and the statement of financial position was signed on the board's behalf by A Erotocritou.

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.

Basis of preparation

These financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' and Companies Act 2006.

These financial statements have been prepared on a historical cost basis. The financial statements are presented in GBP sterling (£), which is also the Company's functional currency.

The directors have considered the guidance of the UK Financial Reporting Council and events relating to the spread of coronavirus (Covid-19) and have treated this as a non-adjusting subsequent event in these financial statements, see note 13.

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 EU ("Adopted IFRSs"), 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:

(a) the requirements of IFRS 7 Financial Instruments: Disclosures and of paragraphs 91-99 of IFRS 13 Fair Value Measurement apart from those which are relevant for the financial statements which are held at fair value not held as part of a trading portfolio;

(b) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to provide comparative period reconciliations in respect of outstanding shares, property, plant & equipment and intangible assets;

(c) 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;

(d) the requirements in paragraph 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements, which includes the need to provide details on capital management;

(e) the requirements of paragraphs 30 and 31 in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors regarding disclosure of new IFRS standards are mandatorily effective. None of these had a material effect on the Company's financial statements.

2 Accounting policies (continued)

(f) the requirements in paragraphs 17 and 18A of IAS 24 Related Party Disclosures around the need to disclose information on key management personnel and details on related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member; and

(g) the requirements of paragraphs 134(d) - 134(f) and 135(c) - 135(e) of IAS 36 Impairment of Assets in respect of disclosure of assumptions on which projections used in the impairment review are based and sensitivity analysis.

(h) FRS 101 provide certain disclosure exemptions in relation to IFRS15 and the Company has taken advantage of the following disclosure exemptions:

a) The requirement of paragraph 114-115 to disclose disaggregated of revenue;

b) The requirements of paragraph 118 of IFRS 15 to disclose and explanation of significant changes in the contract asset and the contract liability balances during the reporting period;

c) The requirement of paragraph 120 to 125 to disclose information about the remaining performance obligation and judgments or changes in judgements; and

d) The requirement of paragraph 126 and 127 to disclose the method, inputs and assumptions used to determine the contract price.

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 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 policies and estimates disclosure on page 26.

Going Concern

The financial statements of the Company have been prepared on a going concern basis. At 31 December 2019, the Company had net liabilities of £0.2m and net current liabilities of £0.2m. The net current liabilities include amounts due to related parties of £0.2m.

Following the assessment of the Company's financial position and of its ability to meet its obligations as and when they fall due, the Directors have a reasonable expectation that the Company will be able to continue to operate for at least the next twelve months from the date of approval of the financial statements. Therefore, the annual financial statements have been prepared on a going concern basis.

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

- The current capital structure and liquidity of the Company and the Group, as well as the assessment that the Group continues to be a going concern.
- The Group manages its cash and funding requirements on a Group-wide basis.
- The source of funding of the Group includes £1.975 billion of debt in the form of $500m (£400m) of Senior Unsecured Notes and £1.575 billion of private borrowings with maturity dates of 6.5 years and 6 years respectively [to which the Company is a guarantor along with the other significant subsidiaries in the Group]. The guarantor obligations are joint and several obligations of all of the guarantors and this means that when there is a requirement to repay the borrowed funds, the lender may also call upon the guarantors as a whole, as well as each of them severally, to do so.

2 Accounting policies (continued)

- The principal risks facing the Company and the Group, including the potential financial and operational impacts of covid-19, and its systems of risk management and internal control.
- The Group has assessed that it has sufficient liquidity to withstand a period of potential poor trading resulting from a sustained impact of Covid-19. The Group had available liquidity of £181.7m at 31 December 2019 and closely monitors available liquidity on an ongoing basis.
- The Group is largely insulated from currency FX volatility.
- The Group has access to a Revolving Credit Facility ("the Group's RCF"). The Group's RCF facility capacity is £191.5m that is undrawn.

  Key stress scenarios that the Group considered as part of its 2019 Going Concern assessment include cumulative stresses to the Group's base plan of a net reduction in cash flow of over £100m in 2020 and further reductions in 2021. The Group's Going Concern stress testing indicated that revenue would need to decline by over 30% compared to base case in each of the next 6 quarters, offset by slightly higher discretionary cost cuts and headcount reductions (but still assuming that the cost base does not reduce at the same speed as income) to reach our liquidity limits. The Directors of TAGL considered these stress conditions to be a remote scenario.

Further details can be found in the 2019 Annual Report and Financial Statements of The Ardonagh Group Ltd, which is published on its website.

The Directors of the Company have also considered the wider operational consequences and ramifications of the Covid-19 pandemic.

- Business Continuity Plans are in place across the Company's offices, with measures to manage employee absences, access to other offices, the efficiency and stability of the Company's infrastructure and the ability for home working for a significant portion of the employee base. Leadership teams and working groups led by senior managers are in place to support operational resilience and taking common-sense precautions with a view to ensuring the wellbeing of colleagues. We continue to review this approach on a daily basis in line with latest global developments and government guidance.
- Insurance broking is a resilient and defensive market, which has historically had limited impact from past economic or capital market downturns.

Following the assessment of the Company's ability to meet its obligations as and when they fall due and the Group's financial position and liquidity, including the potential financial implications of the Covid-19 pandemic included in Group stress tests, and the wider operational consequences and ramifications of the pandemic, the Directors are not aware of any material uncertainties that cast significant doubt on the Company's ability to continue as a going concern.

As further described in the subsequent events note, on 14 July 2020, the Group issued new borrowings, which it used to repay its existing borrowings and to fund acquisitions. The Directors' going concern assessment takes into account these new financing arrangements and latest forecasts for the enlarged group.

Property, plant and equipment

Assets are stated at their net book value (historical cost less accumulated depreciation). Depreciation is calculated to write off the cost of such assets on a straight-line basis over their estimated useful lives.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting year. Property, plant and equipment is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of property, plant and equipment, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised. At the reporting date, the Group's principal rates of depreciation are shown on the next page.

2 Accounting policies (continued)

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Assets class	**Depreciation method and rate**
Leasehold improvements	Over the remaining life of the lease
Fixtures and fittings	15% per annum straight line
Furniture and office equipment	20% per annum straight line
Computer equipment	25% per annum straight line

Intangible assets

Customer relationships

Customer relationships intangible assets exist through business combinations when the acquirer is able to benefit from selling future new business through existing relationships. Their fair value has been calculated as the sum of the present value of projected cash flows, in excess of returns on contributory assets over the life of the relationship with the customers. These assets are amortised on a straight-line basis over their estimated useful lives of 10 years, which is estimated by reference to the history of the relationships and levels of attrition.

Computer software

Acquired computer software licences exist either through business combinations when they are separable or are purchased separately and are capitalised on the basis of the costs incurred to acquire them. Their fair value has been calculated by using the net book value acquired. These costs are amortised on a straight line basis over their estimated useful lives of four years.

Internally-generated computer software and assets under construction

Expenditure on research activities is recognised as an expense in the year in which it is incurred.
An internally-generated intangible asset arising from development of computer software (or from the development phase of an internal project) is recognised if and only if all the following conditions have been demonstrated:

• the technical feasibility of completing the intangible asset so that it will be available for use or sale;

• the intention to complete the asset and use or sell it;

• the ability to use or sell the intangible asset;

• how the intangible asset will generate future economic benefits;

• the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

• the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

2 Accounting policies (continued)

Subsequent to initial recognition, internally-generated intangible assets when ready for use as intended by management are transferred to the appropriate intangible asset class and reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Internally-generated intangible assets are amortised on a straight-line basis over their estimated useful lives of four years. In the period between initial recognition and ready for use no amortisation is charged on internally-generated intangible assets.

Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in Statement of Comprehensive Income.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash generating units for the purpose of impairment testing.

Derecognition of intangible assets

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

Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Any impairment charges arising from the review of the carrying value of goodwill and intangible assets are, where material, disclosed separately on the face the Statement of Comprehensive Income.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset Class	**Amortisation method and rate**
Customer relationships	Straight line over 10 years
Computer software	Straight line over 4 years

Taxation

Current tax

Current tax is recognised for the amount of tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

2 Accounting policies (continued)

Deferred tax

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, deferred tax is reversed. Deferred tax assets and deferred tax liabilities are only offset if there is a legally enforceable right to set off current tax assets against current tax liabilities. Deferred tax asset and the deferred tax liability can only be offset when they relate to income taxes levied by the same taxation authority. Where deferred tax is offset on different taxable entities this is allowed when it is intending either to settle current tax assets or liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously.

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

Revenue

The Company uses the modified retrospective approach without restatement.

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer (net of refunds) and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a service to a customer.

Commission and fees

Revenue includes commission and fees receivable by the Company. Commission and fees relate mainly to placement or underwriting of policies on behalf of insurers or policyholders and are recognised at the later of policy inception date or when the policy placement has been completed and confirmed.

The Company retains a portion of the policy premiums as commission. Premiums are typically collected on an annual basis - at or near contract inception (which could be up to 60 days from contract inception). In some cases, customers are offered to pay in instalments or are directed to a third-party premium credit provider. Some of the Company's policies are rolling until the customer cancels the policy.

The Company utilises the practical expedient in IFRS 15 not to adjust the amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between when the Company transfers a service to a customer and when the customer pays for that service will be one year or less.

Post-placement performance obligations

The Company may also have post-placement obligations in contracts with customers, which mainly consist of claims services associated with the claims life cycle - e.g. first notification, claims investigation, decision and settlement, supply chain management, fraud investigation, field/loss adjusting services and management information - but may also include other performance obligations such as the provision of mid-term adjustments.

To the extent that commission and fees received (or receivable) relate to both placement and post-placement performance obligations, a suitable proportion of income related to post-placement obligations is deferred based on the estimated standalone selling prices of the performance obligations in the contract and presented as a contract liability. Revenue for post-placement obligations is recognised over the period of providing the services.

2 Accounting policies (continued)

Variable consideration

The Company is a party to the following arrangements where the consideration receivable by the Company is variable:

• Profit share arrangements - these are trading deals with insurers which include incentives and penalties based on performance of the book of business for an accident year. Revenue related to these arrangements is recognised on a best estimate basis, only to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur (a constraint).

Under the profit share arrangements, an additional commission is earned from the insurer based on the profit from the underlying book of business or the number of policies placed. The estimated profit share is recognised as a contract asset and is reclassified to trade and other receivables when the final results are determined. Some profit commissions may be provided in advance, in which case they can be subject to a clawback. Advanced profit share is recognised as a contract liability until the Company performs the underlying obligations.
Under IAS 18, profit commission was recognised at a point when it can be measured with reasonable certainty, which was in some cases later than under IFRS 15.

• Some contracts with customers include cancellation rights, whereby the commission receivable by the Company is subject to a clawback. Some policies placed by the Company are rolling until the customer cancels the policy. If no claims are made under the policy, then cancellations usually entitle the policyholder to a proportional refund of the consideration.

When the effect is material, the Company adjusts the estimated consideration for the expected clawback based on historical experience of average cancellations and recognises revenue only on the amount that is not expected to be refunded. The Company reassess at the end of the reporting period whether the estimated clawback needs to be revisited. Amounts that are expected to be refunded are recognised in trade and other payables. Revenue recognised on rolling contracts (based on the expected consideration net of cancellations) is presented in contract assets until the consideration is invoiced.

Other income

Other income represents rent receivable and service charges receivable in respect of sub-let properties.

Contract costs (other assets)

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.

Insurance transactions

Insurance brokers act as agents in placing the insurable risks of their clients with insurers and, as such, are not liable as principals for amounts arising from such transactions. In recognition of this relationship, debtors from insurance broking transactions are not included as an asset of the Company. Other than the receivable for fees and commissions earned on a transaction, no recognition of the insurance transactions 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.

2 Accounting policies (continued)

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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.

Employee benefits

Pension costs

The Group operates a defined contribution pension scheme. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The costs of the Company's defined contribution pension schemes are recharged from a fellow subsidiary to the Company's income statement in the period in which they fall due.

Share -based payments

The Company operates share-based payment schemes. For equity-settled share-based payment schemes, the fair value of the services received in exchange for the grant of the shares is recognised as an expense, measured based on the grant date fair value of the shares and recognised on a straight-line basis over the vesting period, which generally depends on service and performance conditions being met. For cash-settled share-based payment schemes, the Company recognises an expense and a corresponding liability over the vesting period based on the fair value of the shares at the reporting date.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 Critical accounting estimates and judgements

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

Critical judgements in applying accounting policies

Deferred tax assets

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

3 Critical accounting estimates and judgements (continued)

Key sources of estimation uncertainty

Revenue recognition

The Company is a party to profit sharing arrangements. These arrangements adjust the consideration that the Group is entitled to for satisfying its performance obligations and the amount and timing of revenue subject to profit sharing arrangements is inherently uncertain.

The Company applies judgement in estimating the related variable consideration which is measured on a best estimate basis, using either the 'expected value' method or the 'most likely amount' method, to the extent that a significant reversal will not occur (a constraint).

In making the estimate, the Company uses historical, current and forecast information that is reasonably available to it. When the results underlying these arrangements are highly susceptible to factors outside the Company's influence and the Company's experience has limited predictive value, then a higher constraint is applied (in some cases - fully constrained).

Estimates of the variable consideration are assessed at the end of each reporting period to determine whether they need to be revised. The underwriting results are being reviewed by the Company and the insurer on a regular basis and information provided by the insurer is used to refine the estimated amount of consideration. As the underwriting results become more certain, the constraint is relaxed.

Impairment of assets

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

4 Revenue

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

	2019
	£
Commission and fees	207,223

The analysis of the company's revenue for the year by market is as follows:

	UK	Rest of Europe	North America	Other	Total
10 October 2019 to 31 December 2019	£	£	£	£	£
Commission and fees	-	4,262	202,961	-	207,223
	-	4,262	202,961	-	207,223

5 Operating loss

Arrived at after charging/(crediting)

	2019
	£
Auditor's remuneration: audit of these financial statements	-
Management charge paid to parent	53,625

Amounts receivable by the Company's auditor in respect of services to the Company, including the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, The Ardonagh Group Limited. The audit fee of £5,150 for the audit of the Company was paid by other group entities for which no recharge was made.

Management fees of £53,625 relate to the central recharges, centralised IT, staff and property costs are recharged across cost centres with the rest of the group.

6 Staff costs

Staff are employed by a fellow subsidiary within the Group and £357,687 was charged to the Company during the period in respect of these costs. Within this recharge were directors remuneration costs totalling £677,891.

7 Income tax

Tax credited in the statement of comprehensive income

	2019 £
Current taxation	
UK corporation tax	(54,707)
UK corporation tax adjustment to prior periods	-
Tax credit in the statement of comprehensive income	(54,707)

The differences are reconciled below:

	2019 £
Loss before tax	(299,013)
Corporation tax at standard rate of 19%	(56,812)
Expenses not deductible in determining taxable loss	2,105
Total tax credit	(54,707)

Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%.

8 Trade and other receivables

	2019
Receivables from other group companies (unsecured, interest free)	1,000

9 Share capital

Allotted, called up and fully paid shares

	2019	
	No.	£
Ordinary Shares of £0.01 each	100,000	1,000

100,000 ordinary shares of £0.01 each.

10 Trade and other payables

	2019 £
Current trade and other payables	
Amounts due to other group companies (unsecured, interest free)	287,916

The carrying value of trade and other payables approximates fair value.

11 Share -based payments

The Company operates a share-based payment schemes under which employees hold shares in the Company, but based on meeting certain service and performance conditions, they can be exchanged into shares of the Company's parent (Ardonagh Specialty Holdings Limited) which then can put back to the parent for a cash amount that is based on the value of the shares. Given that the scheme will not be settled in cash by the Company itself, it accounts for it as an equity-settled share-based payment and records an expense based on the grant-date fair value of the shares.

The number of shares held by employees at the end of the period is 25,000 – all of which were granted during the period. None of the shares expired or settled during the period. During the period, the Company recognised an expense of £11,097 with respect to this scheme.

12 Commitments

Guarantees

On 25 May 2017, Ardonagh Midco 3 plc, a newly incorporated intermediate holding company, entered into a £90.0m super senior RCF.

On 20 June 2017, Ardonagh Midco 3 plc issued £400.0m of 8.375% Senior Secured Notes and USD520.0m of 8.625% Senior Secured Notes (together, the Notes). On 22 June 2017, the £425.0m Senior Secured Notes and £75.0m floating rate super Senior Secured Notes issued by Ardonagh Finco plc in April 2015 were redeemed.

On 20 December 2017, Ardonagh Midco 3 plc issued an additional £55.0m of 8.375% Senior Secured Notes which are fungible with the existing GBP Senior Secured Notes issued on 20 June 2017. On the same date the commitments under the RCF were increased to £105.0m.

On 18 June 2018, Ardonagh Midco 3 plc issued an additional £98.3m of 8.375% Senior Secured Notes which are fungible with the existing GBP Senior Secured Notes issued on 20 June 2017 and 20 December 2017.
On 26 September 2018, the Group's RCF was amended and restated to include an additional £50.0m facility made available solely to provide a Letter of Credit ancillary facility for the same amount. On 5 October 2018, a letter of credit of £50.0m was issued for the benefit of specified entities within the Group solely to provide credit support in respect of potential redress liabilities relating to the sale of certain enhanced transfer value products (ETV). With effect from 1 December 2019, the contractual limitation on the amount that may be utilised of the Group's RCF was removed. As at 31 December 2019, the RCF facility capacity was £120m and undrawn. At the date of this report, the Group's RCF committed facility had been extended to £170m, of which £70m was drawn. Permissible RCF drawings are limited by the Group's credit facility basket. On 19 November 2018 $235m additional 8.625% Senior Secured Notes were issued.

The obligations of Ardonagh Midco 3 plc under the Notes, RCF, and the subsequently issued additional 8.375% and 8.625% notes, are guaranteed and secured by Ardonagh Midco 2 plc, the immediate parent company of Ardonagh Midco 3 plc, and all its material and certain other subsidiaries. These subsidiaries are listed below:

Nevada Investments Holdings 5 Limited Morgan Law Limited

Nevada Investments Holdings 6 Limited Paymentshield Group Holdings Limited

Nevada Investments Holdings 7 Limited Paymentshield Holdings Limited

12 Commitments (continued)

Nevada Investments TopCo Limited Paymentshield Limited

Nevada Investments Holdings Limited Paymentshield Services Limited

Nevada InvestorCo Limited Ardonagh Finco Plc (formerly TIG Finco Plc)

Nevada Investments 1 Limited Towergate Insurance Limited

Nevada Investments 2 Limited Towergate Risk Solutions Limited

Nevada Investments 3 Limited Towergate Underwriting Group Limited

Nevada Investments 4 Limited PFIH Limited (guarantor only)

Nevada Investments 5 Limited Price Forbes & Partners Limited (guarantor only)

Nevada Investments 6 Limited Price Forbes Holdings Limited (guarantor only)

Nevada Investments 7 Limited URIS Group Limited

Arista Insurance Limited Millennium Insurance Brokers Limited

Broker Network Holdings Limited Direct Newco Limited

CCV Risk Solutions Limited URIS Topco Limited (formerly Direct Group Topco Limited)

Cullum Capital Ventures Limited Chase Templeton Group Limited

Four Counties Insurance Brokers Limited

Chase Templeton Holdings Limited

Geo Specialty Group Holdings Limited

Chase Templeton Limited

Geo Underwriting Services Limited

Lunar 101 Limited

Bishopsgate Energy Limited

These guarantees have been treated under IFRS 4 in line with the accounting policy described in note 2.

13 Related party transactions

The Company has taken the exemption under FRS 101 not to disclose transactions with entities that are part of The Ardonagh Group Limited and with key management personnel.

14 Subsequent events

The Directors have considered the guidance of the UK Financial Reporting Council and events relating to the spread of coronavirus (Covid-19) and have treated this as a non-adjusting subsequent event in these financial statements (see note 2 Basis of preparation).

14 Subsequent events (continued)

On 14 July 2020, the Group issued new borrowings, which it used to repay its existing borrowings and to fund acquisitions. The existing borrowings included the existing senior secured notes and the revolving credit facility, the repayment of which released the Group from the associated security. The new borrowings include $500m senior unsecured notes, a senior secured term loan facility of £1,575m comprising £1,412.8m denominated in pound sterling and €180m denominated in euro and a £191.5m revolving credit facility that is not drawn at the date of this report. The Group completed the purchase of the entire issued share capital of Nevada 5 Topco Limited (an indirect parent of Arachas Topco Limited) on 14 July 2020, for a consideration of €135,781,781.51 cash. The Group also completed the purchase of the entire issued share capital of Nevada 4 Midco 1 Limited (the parent of Bravo Investment Holdings Limited) on 14 July 2020, for a consideration of £39,794,109.14 cash. The new borrowings will also be used to fund the acquisition of Bennetts Motorcycling Services Limited.

15 Parent and ultimate parent undertaking

The Company's majority shareholder and controlling party is HPS Investment Partners LLC. At 31 December 2019, the ultimate parent company was The Ardonagh Group Limited (incorporated in Jersey, registered office address, 47 Esplanade, St Helier, Jersey, JE1 0BD). The Ardonagh Group Limited is the largest group in which the results are consolidated. The parent company of the smallest group, which includes the Company and for which group accounts are prepared, is Ardonagh Midco 3 plc, a company incorporated in United Kingdom. Financial statements for The Ardonagh Group Limited and Ardonagh Midco 3 plc are available on request from:

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