Registration number: 13386212

Ardonagh Specialty Holdings 2 Limited

Annual Report and Financial Statements

for the Period from 11 May 2021 to 31 December 2021

Ardonagh Specialty Holdings 2 Limited

Contents

Ardonagh Specialty Holdings 2 Limited

Company Information

Directors	A Erotocritou
	J A Masterton
	M J Hewett
	C F Ramsay
Company secretary	Ardonagh Corporate Secretary Limited
Registered office	2 Minster Court Mincing Lane London EC3R 7PD United Kingdom
Auditor	Deloitte LLP 1 New Street Square London EC4A 3HQ United Kingdom

Ardonagh Specialty Holdings 2 Limited

Strategic Report for the Period from 11 May 2021 to 31 December 2021

The directors present their strategic report for the period from 11 May 2021 to 31 December 2021 for Ardonagh Specialty Holdings 2 Limited ("the Company"). The Strategic Report provides a review of the business for the financial period and describes how the directors manage risks. The report outlines the performance of the Company during the financial period and its position at the end of the period. The report discusses the developments that have affected the Company and the main trends and factors that could affect its future. Following significant new equity investment as disclosed in note 16, the Company is now overseen by a new holding company, Ardonagh Group Holdings Limited. Prior to this and as at 31 December 2021, the Company was overseen by The Ardonagh Group Limited. The Company and its subsidiaries under the new and previous holding company are referred to as the Group.

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

The Company was incorporated on 11 May 2021 and on 1 November 2021, the Company acquired Ed Broking Group Limited and Besso Insurance Group Limited.

The results for the Company show turnover of £Nil and a loss before tax of £20,422,057 for the period ended 31 December 2021. At 31 December 2021 the Company had net liabilities of £18,711,317. The going concern note (part of accounting policies) on page 16 sets out the reasons why the directors believe that the preparation of the financial statements on a going concern basis is appropriate.

Section 172 (1) of the Companies Act 2006 (the "Act") Statement
This Statement is made pursuant to s. 414 of the Companies Act 2006.

The Company forms part of The Ardonagh Group of Companies, a global insurance distribution provider and its activities are aligned to the strategy and risk management and control frameworks of the Group.

The directors of the Company are committed to lead and direct the affairs of the Company in order to promote the long-term sustainable success of the Company, generating value for its shareholder and ensuring sound and prudent management of the firm. The directors of the Company consider that, both individually and collectively, they have acted in a way, in good faith, that would most likely promote the success of the Company, for the benefit of its members (s. 172(1)), also having regard to the long-term consequences of any decisions taken (172(1)(a)). Distributions to the Company's shareholder are only considered after a full assessment of capital adequacy and the Company's ability to continue as a going concern into the foreseeable future to ensure investment in the future growth of the Company, balanced with stable and sustainable returns to the shareholder. Whilst the Company has no employees, clients or suppliers and its impact on the community and the environment is minimal, the Board, in its role as a Platform Board exercising oversight and governance over the Specialty business, exercise their responsibilities set out in Sections 172(1)(b)-(e) for the Specialty business as a whole. Details on how Platform and Group Boards fulfil these responsibilities are set out in the Ardonagh Group consolidated accounts available on the Ardonagh Group Website - www.ardonagh.com.

The Group's Code of Conduct, applies to all directors of the Company and it embodies the Group's commitment to maintaining the highest ethical conduct and professional standards. These non-negotiable standards are outlined in the Code of Conduct and the Ardonagh Governance Framework, which emphasises the importance of building trust with colleagues, clients and the wider community.

Outlook

The Company was incorporated on 11 May 2021 as a holding company in support of future acquisitions and completed the purchase of Ed Broking Group Limited and Besso Insurance Group Limited on 1 November 2021. The directors do not expect there to be any changes in the nature of the business in the next financial year.

Key performance indicators

The Company's directors believe that a detailed analysis for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business. The development, performance and position of the Group which includes this Company is discussed in the Chief Financial Officer's report in the Group's annual report.

The key performance indicator for this company is the carrying value of its investment in subsidiaries, as these are the main assets of the Company. The performance of the subsidiary undertakings will determine whether an impairment to the carrying value is required and this is tested on a regular basis. No impairments were identified for the period ended 31 December 2021.

Principal risks and uncertainties

The Company's performance and value, as a holding company of the Group, is integrated with its investment in the Company's subsidiaries. Trading performance in the subsidiaries could create the need for impairment leading to a reduction in net assets and distributable reserves of the Company. The subsidiaries set performance targets for the year ahead and performance is reviewed regularly against these targets. Reasons for under performance are monitored and mitigating actions are taken. The investment is reviewed for impairment to ensure the appropriate carrying value in the holding company's accounts.

The principal risks and their mitigation are as follows:

Financial risk

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

The Company and Group have demonstrated its operational and financial resilience to shock conditions in its response to the Covid-19 pandemic. Management does not expect increased global political tensions (including related to the Ukrainian conflict, which we are monitoring and will respond to appropriately), nor any potential lingering impacts of Covid-19 following lockdown restrictions being removed in the UK, to have a significant effect on the Group.

The Company and Group have sufficient liquidity to withstand a period of potential poor trading resulting from a sustained economic decline, although this has not materialised to date and the Group would respond to income declines by seeking cost savings. The Group had available liquidity of £794.7m at 30 September 2022 and closely monitors available liquidity on an ongoing basis.

Insurance broking is a resilient and defensive market, which has historically had limited impact from past economic or capital market downturns. Ardonagh is highly diversified and not materially exposed to a single carrier, customer, or market sector.

Global political tensions
As a result of Russia invading Ukraine, we have seen significant new sanctions legislation from a range of legislators (including the US, EU and UK), with newly sanctioned entities and individuals, and new (or wider in scope) sectoral sanctions targeting Russia (and Belarus). The Group has no appetite for potential breaches of applicable sanctions regimes. Most of the Group's inherent risk exposure relates to international 'London Market' insurance business within Ardonagh Specialty. Our robust framework and sophisticated control environment, which includes enhanced due diligence on Russian-linked business (prior to accepting the client relationships) and automated daily screening of all existing clients against relevant sanctions lists are dynamically updated as they change.

The Group has also reviewed its defences against cyber risks in the context of anticipated increases in such threats to Western companies from Russia and has reviewed its procurement processes and supplier relationships for Russian links. Our mandatory due diligence on potential acquisitions also includes pre-completion screening of full client and supplier lists. We continue to actively monitor the situation as it develops and will respond accordingly as new sanctions are enacted. As a non-trading entity, the expectation is that the invasion and subsequent global financial implications will not impact the Company.

Approved by the Board on 23 December 2022 and signed on its behalf by:

....
A Erotocritou
Director

Ardonagh Specialty Holdings 2 Limited

Directors' Report for the Period from 11 May 2021 to 31 December 2021

The directors present their annual report and the audited financial statements for the period from 11 May 2021 to 31 December 2021.

Incorporation
The Company was incorporated on 11 May 2021.

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

A Erotocritou (appointed 11 May 2021)

J A Masterton (appointed 11 May 2021)

The following directors were appointed after the period end:

M J Hewett (appointed 27 July 2022)

C F Ramsay (appointed 27 July 2022)

Dividends
The directors do not recommend a final dividend payment to be made in respect of the financial period ended 31 December 2021.

Financial risk management objectives and policies
Details of financial risk management objectives and policies can be found in the Strategic Report within the 'Principal risks and uncertainties' section on pages 3 and 4.

Future developments
Details of future developments can be found in the Strategic Report within the 'Outlook' section on page 3.

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

Subsequent events
Details of subsequent events can be found in the notes to the financial statements within the 'Subsequent events' section on page 29.

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 Company is reporting net liabilities of £18,711,317 as at 31 December 2021. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. In reaching their view on the preparation of the Company's financial statements on a going concern basis, the directors have also considered the letter of support provided by Ardonagh Midco 3 Plc. Thus they have adopted the going concern basis of accounting in preparing the annual financial statements. Further details of this assessment can be found in note 2 of these financial statements.

Directors' indemnities
All directors of the Company and fellow Group companies benefit from qualifying third-party indemnity provisions, subject to the conditions set out in the Companies Act 2006, which were in place during the financial period 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.

Appointment of auditor
The Company was incorporated on 11 May 2021. Consequently, the Audit Committee recommended and the Group board approved on behalf of the Company, the appointment of Deloitte LLP as an external auditor for the financial period ended 31 December 2021. The auditor, Deloitte LLP, is deemed to be reappointed under section 487 (2) of the Companies Act 2006.

Approved by the Board on 23 December 2022 and signed on its behalf by:

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A Erotocritou
Director

Ardonagh Specialty Holdings 2 Limited

Statement of Directors' Responsibilities

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

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

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

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

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

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

Ardonagh Specialty Holdings 2 Limited

Independent Auditor's Report to the members of Ardonagh Specialty Holdings 2 Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Ardonagh Specialty Holdings 2 Limited (the 'Company'):

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

We have audited the financial statements, which comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 16.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Independent Auditor's Report to the members of Ardonagh Specialty Holdings 2 Limited (continued)

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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 period 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 in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Ardonagh Specialty Holdings 2 Limited

Independent Auditor's Report to the members of Ardonagh Specialty Holdings 2 Limited (continued)

Use of our report

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

Kristie Hanley

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

Date: 23 December 2022

Ardonagh Specialty Holdings 2 Limited

Statement of Comprehensive Income
for the Period from 11 May 2021 to 31 December 2021

	Note	Period from 11 May 2021 to 31 December 2021
Administrative expenses		(4,900,739)
Operating loss	4	(4,900,739)
Finance income	5	124,689
Finance costs	5	(10,613,735)
Costs of acquisition of subsidiary		(5,032,272)
Loss before tax		(20,422,057)
Tax credit	8	1,710,738
Loss for the period		(18,711,319)

The above results arise from continuing operations. There was no items of other comprehensive income in the current period.

The notes on pages 15 to 29 form an integral part of these financial statements.

Ardonagh Specialty Holdings 2 Limited

(Registration number: 13386212)
Statement of Financial Position as at 31 December 2021

	Note	2021 £
Non-current assets		
Investment in subsidiaries	9	384,269,420
Trade and other receivables	10	8,432,306
Current assets		
Trade and other receivables	10	10,585,814
Current tax assets	8	1,710,738
		12,296,552
Current liabilities		
Trade and other payables	11	(21,779,769)
Borrowings	12	(6,606,769)
		(28,386,538)
Net current liabilities		(16,089,986)
Total assets less current liabilities		376,611,740
Non-current liabilities		
Borrowings	12	(395,323,057)
Net liabilities		(18,711,317)
Capital and reserves		
Share capital	13	2
Retained losses		(18,711,319)
Total equity		(18,711,317)

Approved by the Board on 23 December 2022 and signed on its behalf by:

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A Erotocritou
Director

The notes on pages 15 to 29 form an integral part of these financial statements.

Ardonagh Specialty Holdings 2 Limited

Statement of Changes in Equity for the Period from 11 May 2021 to 31 December 2021

	Note	Share capital £	Retained losses £	Total £
At 11 May 2021		-	-	-
Net loss for the period		-	(18,711,319)	(18,711,319)
New share capital subscribed	13	2	-	2
At 31 December 2021		2	(18,711,319)	(18,711,317)

The notes on pages 15 to 29 form an integral part of these financial statements.

1 General information

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

These financial statements for the year ended 31 December 2021 were authorised for issue by the Board on 23 December 2022 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. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

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

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

As a wholly owned subsidiary of The Ardonagh Group Limited for the period ended 31 December 2021, the Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group accounts, and its results are included in the consolidated accounts of its ultimate parent.

No amendments to standards and interpretations that are mandatorily effective for annual periods beginning on 1 January 2021 have had a material effect on the Company's financial statements.

Summary of disclosure exemptions
In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

- the requirements of IFRS 7 Financial Instruments: Disclosures and of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- 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;

2 Accounting policies (continued)

- the requirements of paragraphs 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 30 and 31 in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors regarding disclosure of new IFRS standards not yet effective at the reporting date and their potential impact;
- the requirements in paragraphs 17 and 18A of IAS 24 Related Party Disclosures and the requirements in IAS 24 to disclose related party transactions entered into between two or more members of the Group, provided that any subsidiary which is party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 130(f)(ii) -(iii), 134(d) - 134(f) and 135(c) - 135(e) of IAS 36 Impairment of Assets in respect of disclosure of valuation techniques, assumptions on which projections used in the impairment review are based and sensitivity analysis.

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

Judgements made by the directors in the application of these accounting policies that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are discussed in the Critical accounting judgements and key sources of estimation uncertainty disclosure on page 22.

Going concern
The directors have considered the position of both the Company and the Group in making their going concern assessment, due to the Company's dependence on a letter of support from its parent and its principal activity as an intermediate holding company within the group.

As shown in account note 15, the Company was a member of a group ("the Group") of which The Ardonagh Group Limited ("TAGL") was the ultimate parent company and the highest level at which results are consolidated for the year ended 31 December 2021.

The financial statements of the Company have been prepared on a going concern basis. At 31 December 2021 the Company had net liabilities of £18.7m and net current liabilities of £16.1m. The net current liabilities include amounts due to related parties of £19.5m. The Company reported a loss before tax of £20.4m for the period ended 31 December 2021.

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

2 Accounting policies (continued)

- The Group's capital structure, operations and liquidity.
- Base case and stressed cash flow forecasts over the calendar years 2022 and 2023.
- The impact on the base case and stressed cashflow forecasts arising from subsequent material acquisitions.
- The principal risks facing the Group and its systems of risk management and internal control.
- Actual trading and cashflows of the Group, including those of the group of companies previously owned by TAGL.

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

- The Group will continue to benefit from a £191.5m Revolving Credit Facility that is not drawn at the date of this report.
- Client retention and renewal rates remain robust, despite the current economic uncertainty, as the 2022 trading performance continues to demonstrate resilience across the Group, including that of the group of companies previously owned by TAGL.
- Interest costs should be modelled using current forward interest rates and current FX rates.

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

- Shortfalls in base case projected income throughout 2022 and 2023.
- Deterioration in base case cash conversion rates over and above the shortfalls in income.
- An inflationary cost increase of 2% over the base case assumptions.
- Mitigating actions within management control including delayed capital expenditure, a reduction in discretionary spend and measured reductions in employee headcount and remuneration.

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

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

2 Accounting policies (continued)

- Insurance broking is a resilient and defensive market, which has historically had limited impact from past economic or capital market downturns. The Group is highly diversified and not unduly exposed to a single carrier, customer or market sector.
- Although economic developments remain fluid, the stress testing demonstrates the Group's financial resilience and operating flexibility.
- As a result of Russia invading Ukraine, we have seen significant new sanctions legislation from a range of legislators (including the US, EU and UK), with newly sanctioned entities and individuals, and new (or wider in scope) sectoral sanctions targeting Russia (and Belarus). The Ardonagh Group has no appetite for potential breaches of applicable sanctions regimes and applies appropriate controls including automated screening of clients against relevant sanctions lists. We continue to actively monitor the situation as it develops and will respond accordingly as new sanctions are enacted.
- The Group continues to monitor the risk of cyberattacks, but the Group has not identified any significant cybersecurity risks during the period ended 30 September 2022.

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

Foreign exchange gains and losses
The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:
• for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income; and
• for all other financial assets that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the operating costs line item.

Business combinations
The Company uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities assumed and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, and liabilities and contingent liabilities assumed, in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

Subsequent changes to the fair value of the share buyout balance are recognised in accordance with IFRS 9 'Financial Instruments' in profit or loss, unless the changes occur during the 'measurement period' of up to one year following the acquisition date and are the result of additional information that the acquirer has obtained after the acquisition date about facts and circumstances that existed at the acquisition date.

2 Accounting policies (continued)

Investment in subsidiaries

A subsidiary is an entity over which the Company has control. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Investments in subsidiaries are accounted for at cost less, where appropriate, impairment.

Impairment of investment

The carrying amount of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Impairment losses are recognised in the Statement of Comprehensive Income.

The carrying amount of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Impairment losses are recognised in the Statement of Comprehensive Income.

Financial instruments

Recognition and initial measurement

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

• Transaction costs are added to or deducted from the fair value of the financial asset or financial liability if they are directly attributable to the acquisition of the financial asset or financial liability, respectively, and if the financial asset is measured at fair value through other comprehensive income or if the financial asset or financial liability, respectively, is measured at amortised cost.

• Transaction costs are recognised immediately in profit or loss if they are directly attributable to the issue of a financial asset or financial liability at fair value through profit or loss, or if they are not directly attributable to the issue of a financial asset or financial liability.

2 Accounting policies (continued)

Derecognition

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

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

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

Offsetting

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

Classification and subsequent measurement of financial assets

Financial assets are classified into one of the following three measurement categories:-
- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income (FVTOCI); or
- financial assets at fair value through the profit or loss (FVTPL).

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

Financial assets classified as amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:-
- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the above two criteria is not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL).

2 Accounting policies (continued)

The Company's financial assets measured at amortised cost include other receivables with contingent consideration receivable measured at FVTPL.

Reclassifications

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

Impairment of financial assets

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

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

Classification and subsequent measurement of financial liabilities

All financial liabilities are measured at amortised cost using the effective interest rate method.

The Company's financial liabilities include amounts payable to Group companies, accrued expenses and borrowings.

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

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Taxation

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

Current tax

Current tax is recognised for the amount of tax payable in respect of the taxable 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 taxable temporary differences at the reporting date (except in relation to goodwill or a transaction which is not a business combination and does not affect profit nor taxable profit). Deferred tax assets are only recognised to the extent that it is probable they will be recovered against the reversal of deferred tax liabilities or against future taxable profits. Deferred tax assets and deferred tax liabilities are only offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and if they relate to income taxes levied by the same taxation authority on the same taxable entity or on different taxable entities which intend to settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously.

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

Finance costs
The Company's finance costs relate to interest payable and unrealised FX losses on intercompany loans.

3 Critical accounting judgements and key sources of estimation uncertainty

Impairment of investments in subsidiaries
Investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may exceed its recoverable amount.

An impairment test is performed by comparing the investment's carrying amount with its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use ("VIU"), where its 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 Operating loss

The audit fee for the audit of this Company for the period ended 31 December 2021 of £14,000 was paid by other Group entities for which no recharge was made. The Company has not engaged its auditor for any non-audit services.

5 Finance costs

	Period from 11 May 2021 to 31 December 2021 £
Finance income	
Unwinding of discount	124,689
Finance costs	
Interest payable on intercompany loans	(6,683,257)
Unrealised FX losses on intercompany loans	(3,930,478)
Finance costs	(10,489,046)

Finance costs represent the interest expense and associated foreign exchange impact on an intra-group loan entered into in 2021 (note 12).

6 Staff costs

The Company had no employees in the current period. All administration is performed by employees of the Group for which no recharge is made. It is impracticable to determine the proportion of staf costs that relate to this entity.

7 Directors' remuneration

The emoluments of all directors are paid by other Group companies, which make no recharge to the Company. These directors were directors of other fellow subsidiaries for the period ended 31 December 2021. Their total emoluments are included in the consolidated financial statements of The Ardonagh Group Limited for the year ended 31 December 2021. It is impracticable to determine the proportion of director emoluments that relate to this entity.

8 Income tax

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

	Period from 11 May 2021 to 31 December 2021 £
Current tax	
UK corporation tax	1,710,738
UK corporation tax adjustment to prior periods	-
	1,710,738
	-
Total current income tax	1,710,738
Deferred tax	
Arising from origination and reversal of temporary differences	-
Adjustments in respect of prior periods	-
Effect of tax rate change on opening balance	-
Total deferred tax	-
Tax credit in the Statement of Comprehensive Income	1,710,738

In the March 2021 Budget, it was announced that the UK Corporation Tax Rate will rise from its current rate of 19% to 25% with effect from April 2023.

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

	Period from 11 May 2021 to 31 December 2021 £
Loss before tax	(20,422,057)
Corporation tax at standard rate of 19%	3,880,191
Expenses not deductible for tax purposes	(2,169,453)
Total tax credit	1,710,738

8 Income tax (continued)

Deferred tax
The amount of unrecognised deferred tax assets was valued at nil at the year end.

9 Investments in subsidiaries

	2021 £
Cost or valuation	
At 11 May 2021	-
Additions	384,269,420
At 31 December 2021	384,269,420
Provision for impairment	
At 11 May 2021	-
At 31 December 2021	-
Carrying amount	
At 31 December 2021	384,269,420

On 28 October 2021, the Company subscribed to 100% share capital of Ardonagh Specialty Employment Services Limited.

On 1 November 2021, the Company acquired Ed Broking Group Limited and Besso Insurance Group Limited for consideration of USD534.9m.

On 15 December 2021, the Company subscribed to 100% share capital of Ardonagh Specialty Holdings 3 Limited.

9 Investments in subsidiaries (continued)

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

Name of subsidiary	Principal activity	Country of incorporation and Principal place of business	Share class	Company interest in ordinary share capital and voting rights held 2021
Ardonagh Specialty Employment Services Limited	Insurance broking	2 Minster Court, London, EC3R 7PD England	Ordinary	100%
Ardonagh Specialty Holdings 3 Limited	Holding company	2 Minster Court, London, EC3R 7PD England	Ordinary	100%
Besso Insurance Group Limited (and subsidiaries)	Insurance broking	2 Minster Court, London, EC3R 7PD England	Ordinary	100%
Ed Broking Group Limited (and subsidiaries)	Insurance broking	2 Minster Court, London, EC3R 7P England	Ordinary	100%

10 Trade and other receivables

	2021
	£
Contingent deferred consideration receivable	3,526,306
Other receivables	4,906,000
Non-current trade and other receivables	8,432,306
Staff loans	7,500,000
Contingent deferred consideration receivable	1,920,000
Other receivables	1,165,814
Current trade and other receivables	10,585,814

Trade and other receivables include contingent deferred consideration receivable with a fair value of £1.8m arising from the acquisition of Ed Broking Group Limited and Besso Insurance Group Limited and is subject to final agreement of the purchase price. This is categorised within level 3 of the fair value hierarchy with the valuation based on management's best estimate of the probability of the successful completion of the requirements set out in the purchase agreement.

11 Trade and other payables

	2021
	£
Current trade and other payables	
Amounts due to other Group companies	19,484,511
Accrued expenses	2,295,258
	21,779,769

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

12 Borrowings

	2021 £
Non-current loans and borrowings	
Loans from related parties	395,323,057
Current loans and borrowings	
Interest payable	6,606,769

On 1 November 2021, the Company entered into a new loan agreement with Ardonagh Midco 3 Plc, a company under common control. The principal amount was USD534.9m, repayable in June 2026 (subject to terms of the agreement), and accrues interest at 10% per annum.

13 Share capital

Allotted, called up and fully paid shares

	2021 No.	£
Ordinary shares of £1 each	2	2

The ordinary shares have attached to them full voting, dividends and capital distribution (including on winding up) rights; they do not confer any rights of redemption. On incorporation, the Company issued 2 shares with a nominal value of £1 each.

14 Related party transactions

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

15 Parent and ultimate parent undertaking

The immediate parent company is Ardonagh Specialty Holdings Limited and the ultimate parent company is Tara Topco Limited (note 16).

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

2 Minster Court
Mincing Lane
London
EC3R 7PD

16 Subsequent events

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

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

As a result of Russia invading Ukraine, we have seen significant new sanctions legislation from a range of legislators (including the US, EU and UK), with newly sanctioned entities and individuals, and new (or wider in scope) sectoral sanctions targeting Russia (and Belarus). The Ardonagh Group has no appetite for potential breaches of applicable sanctions regimes. Most of the Group's inherent risk exposure relates to international 'London Market' insurance business within Ardonagh Specialty. Our robust framework and sophisticated control environment, which includes enhanced due diligence on Russian-linked business (prior to accepting the client relationships) and automated daily screening of all existing clients against relevant sanctions lists are dynamically updated as they change. The Group has also reviewed its defences against cyber risks in the context of anticipated increases in such threats to Western companies from Russia and has reviewed its procurement processes and supplier relationships for Russian links. Our mandatory due diligence on potential acquisitions also includes pre-completion screening of full client and supplier lists. We continue to actively monitor the situation as it develops and will respond accordingly as new sanctions are enacted.