

Registration number: 03209135

Healthy Pets Limited

Annual Report and Unaudited Financial Statements

for the Period from 1 January 2021 to 30 June 2022



Healthy Pets Limited

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Healthy Pets Limited

Company Information

Directors	I J Donaldson C D Ball
Company secretary	Ardonagh Corporate Secretary Limited
Registered office	6 Ridgeway Office Park Bedford Road Petersfield Hampshire GU32 3QF United Kingdom

Healthy Pets Limited

Strategic Report for the Period from 1 January 2021 to 30 June 2022

The directors present their strategic report for the period from 1 January 2021 to 30 June 2022 for Healthy Pets 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, 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 part of The Ardonagh Group Limited. The Company forms part of The Ardonagh Group of Companies.

Principal activities and business review

The principal activity of the Company is that of online pet insurance intermediary service providers. On 1 February 2022, the trade and associated assets of Healthy Pets Limited, was transferred to Atlanta Insurance Intermediaries Limited, ("AIIL"), a company under common control.

The results for the Company show turnover of £6,441,763 (12 months ended 31 December 2020: £4,889,634) and profit before tax of £3,787,897 (12 months ended 31 December 2020: £2,957,418) for the 18 months ended 30 June 2022. At 30 June 2022 the Company had net assets of £23,521,896 (12 months ended 31 December 2020: £7,286,738). The going concern note (part of accounting policies) on page 12 sets out the reasons why the directors believe that the preparation of the financial statements on a basis other than that of a going concern 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. Sections 172(1)(b)-(e) do not apply to the Company in its capacity as a company in run-off for the Group, as it does not have employees, clients or suppliers.

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

On 1 February 2022, the trade and associated assets of Healthy Pets Limited, was transferred to Atlanta Insurance Intermediaries Limited, ("AIIL"), a company under common control. It is expected that transferring the trade to AIIL will provide increased support and benefits to the Healthy Pets brand and trading activities going forward. As a result, it is the directors' intention to dissolve the Company once the appropriate due diligence has been completed.

Healthy Pets Limited

Strategic Report for the Period from 1 January 2021 to 30 June 2022 (continued)

Key performance indicators

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

	Unit	18 month period ended 30 June 2022	12 month period ended 31 December 2020
Gross written premium (GWP) brokered	£m	18.8	15.5
Total income (commission and fees, and other income)	£m	6.4	4.9
Administrative expenses (salaries and associated costs, and other operating costs)	£m	2.5	1.9
Total income/GWP ratio	%	34.0	31.6
Administrative expenses/total income ratio	%	39.1	38.8

The total income/GWP ratio has increased from 31.6% in 2020 to 34.0% in 2022 and administrative expenses have increased from £1.9m in 2020 to £2.5m in 2022. The increase is mainly due to marketing and advertising expenses which have increased by nearly £0.3m since 2020 and the extended period to 30 June 2022.

The Company's key non-financial performance indicator is staffing levels, which have decreased from 13 to nil throughout the period as the staff of Healthy Pets Limited were transferred to Atlanta Insurance Intermediaries Limited, a company under common control.

Principal risks and uncertainties

The Company has a comprehensive strategy for the identification, mitigation and management of risk. A wide-ranging assessment of business risks has been undertaken resulting in the compilation of a risk register. The risk register is subject to discussion at regular 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:

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 Group has demonstrated its resilience from an economic shock and demonstrated operational and financial resilience in response to the Covid-19 pandemic.

The Group has 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 £461.1m at 31 December 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.

Healthy Pets Limited

Strategic Report for the Period from 1 January 2021 to 30 June 2022 (continued)

Operational risk

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

The Company's business depends on the ability of employees to process transactions using secure information systems. The capacity to serve 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 has insurance to protect against such contingencies.

Approved by the Board on 28 June 2023 and signed on its behalf by:

.....
C D Ball
Director

Healthy Pets Limited

Directors' Report for the Period from 1 January 2021 to 30 June 2022

The directors present their annual report and the unaudited financial statements for the period from 1 January 2021 to 30 June 2022.

Directors of the Company

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

D Coles (resigned 21 May 2021)

S Hough (resigned 21 May 2021)

I J Donaldson (appointed 20 May 2021)

C D Ball (appointed 20 May 2021)

Dividends

The directors do not recommend a final dividend payment to be made in respect of the financial period ended 30 June 2022 (2020: £Nil).

Financial risk management objectives and policies

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

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 period (2020: £Nil).

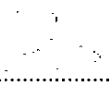
Going concern

On 1 February 2022, the Company transferred its trade and associated assets to Atlanta Insurance Intermediaries Limited, a company under common control, and is now in run-off. It is the directors' intention to liquidate the Company once the run-off process is complete. As a consequence, the financial statements have been prepared on a basis other than that of a going concern.

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.

Approved by the Board on 28 June 2023 and signed on its behalf by:


.....
C D Ball
Director

Healthy Pets 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; 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 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.

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.

Healthy Pets Limited

Statement of Comprehensive Income for the Period from 1 January 2021 to 30 June 2022

		Period to 30 June 2022	Year ended 31 December 2020
	Note	£	£
Revenue	5	6,441,763	4,889,634
Salaries and associated costs	8	(429,448)	(434,592)
Other operating costs		(2,114,939)	(1,442,206)
Depreciation, amortisation and impairment of non-financial assets		<u>(44,329)</u>	<u>(33,476)</u>
Operating profit	6	3,853,047	2,979,360
Finance income	7	27	281
Finance costs	7	<u>(65,177)</u>	<u>(22,223)</u>
Profit before tax		3,787,897	2,957,418
Tax charge	10	<u>(755,656)</u>	<u>(560,719)</u>
Profit for the period		<u><u>3,032,241</u></u>	<u><u>2,396,699</u></u>

The results for the current period and prior year arise from discontinued operations. There are no items of other comprehensive income.

The notes on pages 11 to 31 form an integral part of these financial statements.

Healthy Pets Limited
(Registration number: 03209135)
Statement of Financial Position as at 30 June 2022

	Note	30 June 2022 £	2020 £
Non-current assets			
Property, plant and equipment	11	-	36,779
Right-of-use assets	12	-	150,114
Trade and other receivables	14	-	651,004
		<u>-</u>	<u>837,897</u>
Current assets			
Cash and cash equivalents	13	-	2,059,858
Trade and other receivables	14	25,562,370	7,274,833
		<u>25,562,370</u>	<u>9,334,691</u>
Current liabilities			
Trade and other payables	15	(1,727,770)	(1,481,330)
Lease liabilities	12	-	(39,758)
Tax liabilities	10	(312,704)	(1,240,461)
		<u>(2,040,474)</u>	<u>(2,761,549)</u>
Net current assets		<u>23,521,896</u>	<u>6,573,142</u>
Total assets less current liabilities		<u>23,521,896</u>	<u>7,411,039</u>
Non-current liabilities			
Lease liabilities	12	-	(123,539)
Deferred tax liabilities	10	-	(762)
		<u>-</u>	<u>(124,301)</u>
Net assets		<u>23,521,896</u>	<u>7,286,738</u>
Capital and reserves			
Share capital	17	9	9
Merger reserves		13,202,917	-
Retained earnings		10,318,969	7,286,728
Revaluation reserve		<u>1</u>	<u>1</u>
Total equity		<u>23,521,896</u>	<u>7,286,738</u>

The notes on pages 11 to 31 form an integral part of these financial statements.
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Statement of Financial Position as at 30 June 2022 (continued)

For the financial period ending 30 June 2022 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

Approved by the Board on 28 June 2023 and signed on its behalf by:


.....

C D Ball
Director

The notes on pages 11 to 31 form an integral part of these financial statements.

Healthy Pets Limited

Statement of Changes in Equity for the Period from 1 January 2021 to 30 June 2022

	Share capital £	Revaluation reserves £	Merger reserves £	Retained earnings £	Total £
At 1 January 2021	9	1	-	7,286,728	7,286,738
Profit for the period	-	-	-	3,032,241	3,032,241
On business transfer	-	-	13,202,917	-	13,202,917
At 30 June 2022	<u>9</u>	<u>1</u>	<u>13,202,917</u>	<u>10,318,969</u>	<u>23,521,896</u>

On 1 February 2022, the trade and associated assets of Healthy Pets Limited, was transferred to Atlanta Insurance Intermediaries Limited, a company under common control (see note 4).

	Share capital £	Revaluation reserves £	Merger reserves £	Retained earnings £	Total £
At 1 January 2020	9	1	-	4,890,029	4,890,039
Profit for the period	-	-	-	2,396,699	2,396,699
At 31 December 2020	<u>9</u>	<u>1</u>	<u>-</u>	<u>7,286,728</u>	<u>7,286,738</u>

The revaluation reserve relates to the purchase of own shares, 10 Ordinary B shares of £0.10 for a total of £1, in February 2015.

The notes on pages 11 to 31 form an integral part of these financial statements.

Healthy Pets Limited

Notes to the Unaudited Financial Statements for the Period from 1 January 2021 to 30 June 2022

1 General information

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

The financial statements for the period ended 30 June 2022 were authorised for issue by the Board on 28 June 2023 and the Statement of Financial Position was signed on the board's behalf by C D Ball.

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 periods presented, unless otherwise stated.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

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.

There are no new standards, amendments or interpretations which are effective in 2021 or 2022 or not yet effective and that are expected to materially impact the Company's financial statements.

Summary of disclosure exemptions

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

In these financial statements, the Company has taken advantage of the following disclosure exemptions available in FRS 101, where relevant:

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

Healthy Pets Limited

Notes to the Unaudited Financial Statements for the Period from 1 January 2021 to 30 June 2022 (continued)

2 Accounting policies (continued)

- 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;
- 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;
- the requirements of paragraphs 30 and 31 in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors regarding disclosure of new IFRS standards not yet effective at the reporting date and their potential impact; and
- the 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.

Equivalent disclosures are included in the Group's consolidated financial statements as required by FRS 101 where exemptions have been applied. This information is included in the consolidated financial statements of Ardonagh Group Holdings Limited as at 31 December 2022 and details on how to obtain these financial statements can be found in note 19.

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 19.

Going concern

At 30 June 2022 the Company had net assets of £23,521,896 (2020: £7,286,738) and net current assets of £23,521,896 (2020: £6,573,142). The net current assets include amounts receivable from related parties of £25,562,370 (2020: £3,832,337), and amounts due to related parties of £1,684,175 (2020: £37,921). The Company reported a profit before tax for the 18 month period ending 30 June 2022 of £3,787,897 (2020: £2,957,417).

On 1 February 2022, the Company sold its trade and associated assets to a fellow group company, Atlanta Insurance Intermediaries Limited and has been in run-off since that date. It is the directors' intention to liquidate the Company once the run-off process is complete. Consequently, the financial statements have been prepared on a basis other than that of a going concern.

The book values of the Company's assets and liabilities are deemed to be a reasonable approximation of fair value due to their short-term nature. As such no adjustments to balances are required with the Company being reported on a basis other than that of a going concern.

Property, plant and equipment

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Healthy Pets Limited

Notes to the Unaudited Financial Statements for the Period from 1 January 2021 to 30 June 2022 (continued)

2 Accounting policies (continued)

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:

Asset class	Depreciation method and rate
Freehold property	Carried at fair value
Computer equipment	25% Reducing balance
Furniture and office equipment	25% Reducing balance

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. 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.

Leases

The Company accounts for lease and non-lease components in a contract as a single lease component.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and are adjusted for certain remeasurements of the lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date of the lease less any lease incentives received, plus the estimated costs of restoring the underlying asset to the condition required by the terms of the lease. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company, and payments of penalties for terminating a lease if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable, which is generally the case. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Healthy Pets Limited

Notes to the Unaudited Financial Statements for the Period from 1 January 2021 to 30 June 2022 (continued)

2 Accounting policies (continued)

Leases of low value assets

The Company elects on a lease-by-lease basis whether to apply the lease of low-value assets exemption to leases of office equipment that are considered to be of low value (i.e. below £5,000). Lease payments on leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities when the company becomes party to the contractual provisions of the financial instrument, and they are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs not directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Derecognition

Financial assets

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

Financial liabilities

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.

Healthy Pets Limited

Notes to the Unaudited Financial Statements for the Period from 1 January 2021 to 30 June 2022 (continued)

2 Accounting policies (continued)

Classification and subsequent measurement of financial assets

The Company classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVTOCI); or
- Fair value through the profit or loss (FVTPL).

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

Financial assets classified as amortised cost

Financial assets that meet the following conditions are classified and subsequently measured at amortised cost:

- 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.

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

The Company's financial assets measured at amortised cost include trade and other receivables.

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

Insurance brokers act as agents in placing the insurable risks of their clients with insurers and, as such, are not usually liable as principal for amounts arising from such transactions. In recognition of this relationship, debtors from insurance broking transactions are not, in general, included as an asset of the Company. Other than the receivable for fees and commissions earned on a transaction, recognition of the insurance transaction does not, in general, occur 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. An exception exists in relation to funded premium and claim items whereby the Company has a legal obligation to make good any shortfall to client monies in the event of default.

Healthy Pets Limited

Notes to the Unaudited Financial Statements for the Period from 1 January 2021 to 30 June 2022 (continued)

2 Accounting policies (continued)

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 for trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors and by scalar factors to reflect differences between economic conditions during the period over which the historical data was collected versus current conditions and the Company's view of economic conditions over the expected lives of the receivables, including the time value of money where appropriate. Scalar factors are typically based on GDP and unemployment rate forecasts.

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

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

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

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

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

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

Healthy Pets Limited

Notes to the Unaudited Financial Statements for the Period from 1 January 2021 to 30 June 2022 (continued)

2 Accounting policies (continued)

Definition of default

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

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

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

Credit-impaired financial assets

Evidence that the financial asset is credit-impaired include the following:

- Significant financial difficulties of the borrower or issuer;
- A breach of contract such as default or past due event;
- The restructuring of the loan or advance by the company on terms that the company would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the security because of financial difficulties; or
- There is other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the company, or economic conditions that correlate with defaults in the company.

Write-off policy

For trade receivables, the company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 30 June 2022 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Healthy Pets Limited

Notes to the Unaudited Financial Statements for the Period from 1 January 2021 to 30 June 2022 (continued)

2 Accounting policies (continued)

Classification and subsequent measurement of financial liabilities

All financial liabilities are 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.

Revenue

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. This revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

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.

Contract costs

Contract costs give rise to assets recognised in accordance with IFRS 15, which consist of:

- Costs to fulfil - salary and other costs of customer-facing employees who undertake activities necessary to satisfy anticipated 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 year.
- Costs to obtain - Incremental fees paid to distributors (usually aggregator websites) for obtaining new business. These costs are amortised, on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates, over the average life of the relationship with the customer. The Company utilises the practical expedient to recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

Contract costs are presented within 'other assets' when recognised in the Statement of Financial Position.

Employee benefits

Pension costs

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and 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.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

Healthy Pets Limited

Notes to the Unaudited Financial Statements for the Period from 1 January 2021 to 30 June 2022 (continued)

2 Accounting policies (continued)

Taxation

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

Current tax

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

Deferred tax

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Finance income and costs policy

The Company's finance income and finance costs include:

- interest income; and
- unwind of discount on lease liabilities.

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

3 Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will, by definition, seldom equal the related actual results. There were no key sources of estimation uncertainty or critical judgements in applying accounting policies that have had a significant impact on the carrying amounts of assets and liabilities in the financial period.

4 Discontinued operations

As part of the Group's strategy to align the legal entity structure with its operating segments, the Company has disposed of its operations via a business and asset transfer transaction under common control. Being a common control transaction, this is outside the scope of IFRS 3. No goodwill is recognised on such transfers and instead, any consideration in excess of the carrying value of transferring assets and liabilities is taken to merger reserves.

The Company has been the transferor in disposing of the following net assets to Atlanta Insurance Intermediaries Limited, a fellow Group company on 1 February 2022. As a result of this transfer, the Company recognised the following disposals of assets and liabilities:

Healthy Pets Limited

Notes to the Unaudited Financial Statements for the Period from 1 January 2021 to 30 June 2022 (continued)

4 Discontinued operations (continued)

	Atlanta Insurance Intermediaries Limited £
Property, plant and equipment	58,326
Right-of-use assets	182,102
Trade and other receivables	11,192,084
Trade and other payables	(219,023)
Cash and cash equivalents	<u>1,145,964</u>
Net assets transferred	12,359,453
Total consideration	<u>(25,562,370)</u>
Merger reserves	<u>(13,202,917)</u>

5 Revenue

The analysis of the Company's turnover for the period from discontinued operations is as follows:

	18 months ended 30 June 2022 £	12 months ended 31 Dec 2020 £
Commission and fees	<u>6,441,763</u>	<u>4,889,634</u>

Turnover consists entirely of sales made in the United Kingdom.

6 Operating profit

Arrived at after charging:

	18 months ended 30 June 2022 £	12 months ended 31 Dec 2020 £
Auditor's remuneration: audit of these financial statements	-	16,223
Depreciation of property, plant and equipment	8,559	8,356
Depreciation on right-of-use assets	<u>35,770</u>	<u>24,120</u>

For the period ended 30 June 2022, the Company has taken the exemption under s479 of the Companies Act 2006 from the requirement to obtain an audit of their separate financial statements.

Healthy Pets Limited

Notes to the Unaudited Financial Statements for the Period from 1 January 2021 to 30 June 2022 (continued)

7 Finance income and finance costs

	18 months ended 30 June 2022 £	12 months ended 31 Dec 2020 £
Finance income		
Other finance income	27	281
Finance costs		
Unwinding of discount payable	(4,203)	-
Unwinding of discount payable - ROU assets	(17,379)	(22,223)
Interest on overdue tax	(43,595)	-
	<u>(65,177)</u>	<u>(22,223)</u>
Net finance costs	<u>(65,150)</u>	<u>(21,942)</u>

Finance costs represent the unwinding of discount calculated on the lease liabilities (note 12).

8 Staff costs

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

	18 months ended 30 June 2022 £	12 months ended 31 Dec 2020 £
Wages and salaries	388,853	393,217
Social security costs	32,197	33,681
Pension costs, defined contribution scheme	8,398	7,694
	<u>429,448</u>	<u>434,592</u>

On 1 February 2022 the staff of Healthy Pets Limited were transferred to Atlanta Insurance Intermediaries Limited, a company under common control.

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

Healthy Pets Limited

Notes to the Unaudited Financial Statements for the Period from 1 January 2021 to 30 June 2022 (continued)

8 Staff costs (continued)

	18 months ended 30 June 2022 No.	12 months ended 31 Dec 2020 No.
Administration	1	1
Sales	8	10
Management	3	2
	<u>12</u>	<u>13</u>

9 Directors' remuneration

The directors' remuneration for the period was as follows:

	18 months ended 30 June 2022 £	12 months ended 31 Dec 2020 £
Aggregate emoluments	-	74,500
	<u>-</u>	<u>74,500</u>

The aggregate emoluments of the highest paid director were £Nil (2020: £74,500) and company pension contributions of £Nil (2020: £2,392) were made to a money purchase scheme on their behalf.

The emoluments of all directors for the period ended 30 June 2022 were paid by other Group companies, which make no recharge to the Company. These directors are directors of other fellow subsidiaries. Their total emoluments are included in the Group consolidated financial statements.

Retirement benefits are accruing in money purchase pension schemes for no directors (2020: 1).

10 Income tax

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

	Period ended 30 June 2022 £	Year ended 31 December 2020 £
Current taxation		
UK corporation tax	752,249	563,745
Adjustments in respect of prior periods	4,169	(1,895)
Total current taxation	<u>756,418</u>	<u>561,850</u>

Healthy Pets Limited

Notes to the Unaudited Financial Statements for the Period from 1 January 2021 to 30 June 2022 (continued)

10 Income tax (continued)

	Period ended 30 June 2022 £	Year ended 31 December 2020 £
Deferred taxation		
Origination and reversal of temporary differences	-	(686)
Adjustments in respect of prior periods	(762)	(445)
Effect of tax rate change on opening balance	-	-
Total deferred taxation	<u>(762)</u>	<u>(1,131)</u>
Tax charge in the Statement of Comprehensive Income	<u>755,656</u>	<u>560,719</u>

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 year.

	Period ended 30 June 2022 £	Year ended 31 December 2020 £
Profit before tax	<u>3,787,897</u>	<u>2,957,418</u>
Corporation tax at standard rate of 19% (2020: 19%)	719,700	561,910
Adjustments to tax charge in respect of previous periods - current tax	4,169	(1,895)
Adjustments to tax charge in respect of previous periods - deferred tax	(762)	(445)
Expenses not deductible for tax purposes	35,945	58
Fixed asset differences	11	437
Movement in deferred tax not recognised	(3,407)	-
Remeasurement of deferred tax for changes in tax rates	-	654
Total tax charge	<u>755,656</u>	<u>560,719</u>

Healthy Pets Limited

Notes to the Unaudited Financial Statements for the Period from 1 January 2021 to 30 June 2022 (continued)

10 Income tax (continued)

Deferred tax

In the March 2021 Budget, it was announced that the UK Corporation Tax Rate will rise from its current rate of 19% to 25% with effect from April 2023. UK deferred tax balances as at 30 June 2022 are measured at the rate that the respective assets and liabilities will reverse.

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

	Asset	Liability	Net deferred tax
	£	£	£
30 June 2022			
Accelerated tax depreciation	-	-	-
First time adoption of IFRS 16	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>
	Asset	Liability	Net deferred tax
	£	£	£
31 December 2020			
Accelerated tax depreciation	-	(4,877)	(4,877)
First time adoption of IFRS 16	4,115	-	4,115
	<u>4,115</u>	<u>(4,877)</u>	<u>(762)</u>
	<u>4,115</u>	<u>(4,877)</u>	<u>(762)</u>

Healthy Pets Limited

Notes to the Unaudited Financial Statements for the Period from 1 January 2021 to 30 June 2022 (continued)

10 Income tax (continued)

Deferred tax movement during the period:

	At 1 January 2021 £	Recognised in income £	At 30 June 2022 £
Accelerated tax depreciation	(4,877)	4,877	-
First time adoption of IFRS 16	4,115	(4,115)	-
Net tax assets/(liabilities)	<u>(762)</u>	<u>762</u>	<u>-</u>

Deferred tax movement during the prior year:

	At 1 January 2020 £	Recognised in income £	At 31 December 2020 £
Accelerated tax depreciation	(6,008)	1,131	(4,877)
First time adoption of IFRS 16	4,115	-	4,115
Net tax assets/(liabilities)	<u>(1,893)</u>	<u>1,131</u>	<u>(762)</u>

Healthy Pets Limited

Notes to the Unaudited Financial Statements for the Period from 1 January 2021 to 30 June 2022 (continued)

11 Property, plant and equipment

	Freehold property £	Computer equipment £	Furniture and office equipment £	Total £
Cost or valuation				
At 1 January 2021	1,607	102,297	51,733	155,637
Additions	-	25,486	4,620	30,106
Disposals on transfer of business	(1,607)	(127,783)	(56,353)	(185,743)
At 30 June 2022	-	-	-	-
Depreciation				
At 1 January 2021	-	69,611	49,247	118,858
Charge for the period	-	8,031	528	8,559
Disposals on transfer of business	-	(77,642)	(49,775)	(127,417)
At 30 June 2022	-	-	-	-
Carrying amount				
At 30 June 2022	-	-	-	-
At 31 December 2020	1,607	32,686	2,486	36,779

Healthy Pets Limited

Notes to the Unaudited Financial Statements for the Period from 1 January 2021 to 30 June 2022 (continued)

12 Leases

Right-of-use assets

The table below provides a schedule of the movements in the carrying amount of the right-of-use assets held on the Statement of Financial Position during the period ended 30 June 2022.

	Property £	Total £	Lease Liabilities £
At 1 January 2021	150,114	150,114	(163,297)
Disposals on transfer of business	(182,102)	(182,102)	134,630
Terminations/modifications	67,758	67,758	-
Depreciation charged for the period	(35,770)	(35,770)	-
Interest expense	-	-	(17,379)
Lease payments	-	-	46,046
At 30 June 2022	-	-	-

As at 30 June 2022, £Nil (2020: £39,758) lease liabilities are considered current and £Nil (2020: £123,539) are non-current.

The table below provides a schedule of the movements in the carrying amount of the right-of-use assets held on the Statement of Financial Position during the year ended 31 December 2020.

	Property £	Total £	Lease Liabilities £
At 1 January 2020	174,234	174,234	(183,578)
Terminations/modifications	-	-	1
Depreciation charged for the year	(24,120)	(24,120)	-
Interest expense	-	-	(22,223)
Lease payments	-	-	42,503
At 31 December 2020	150,114	150,114	(163,297)

In addition to the above, the Company recognised the following in the Statement of Comprehensive Income for the period:

Healthy Pets Limited

Notes to the Unaudited Financial Statements for the Period from 1 January 2021 to 30 June 2022 (continued)

12 Leases (continued)

	30 June 2022 £	31 December 2020 £
Expense relating to variable lease payments not included in the measurement of the lease liability (recognised within other operating expenses)		
Irrecoverable VAT and other levies expensed (recognised within other operating expenses)	20,005	9,644
	<u>20,005</u>	<u>9,644</u>

During the period ended 30 June 2022, the total cash outflows for leases was £66,051 (2020: £52,147).

Maturity analysis

The total future values of undiscounted lease liabilities are as follow:

	30 June 2022 £	31 December 2020 £
Within one year	-	42,500
In one to five years	-	155,656
In over five years	-	25,841
Total undiscounted value	<u>-</u>	<u>223,997</u>

13 Cash at bank and in hand

	30 June 2022 £	31 December 2020 £
Own funds	-	619,665
Fiduciary funds	-	1,440,193
	<u>-</u>	<u>2,059,858</u>

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

Healthy Pets Limited

Notes to the Unaudited Financial Statements for the Period from 1 January 2021 to 30 June 2022 (continued)

14 Trade and other receivables

	30 June 2022 £	31 December 2020 £
Non-current trade and other receivables		
Other assets*	-	651,004
Total non-current trade and other receivables	-	651,004
	30 June 2022 £	31 December 2020 £
Current trade and other receivables		
Trade receivables	-	2,836,334
Receivables from other Group companies	25,562,370	3,832,337
Other assets*	-	606,162
Total current trade and other receivables	25,562,370	7,274,833

Other assets totalling £Nil (2020: £1,257,166) are recognised under IFRS 15 and included in current and non-current trade and other receivables in the Statement of Financial Position.

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

15 Trade and other payables

	30 June 2022 £	31 December 2020 £
Current trade and other payables		
Trade payables in relation to insurance transactions	-	1,440,196
Accrued expenses	43,595	1,995
Amounts due to other Group companies	1,684,175	37,921
Other payables	-	1,218
	1,727,770	1,481,330

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

Healthy Pets Limited

Notes to the Unaudited Financial Statements for the Period from 1 January 2021 to 30 June 2022 (continued)

16 Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The total cost charged to the Statement of Comprehensive Income of £8,398 (2020: £7,694) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans.

17 Share capital

Allotted, called up and fully paid shares

	30 June 2022		31 December 2020	
	No.	£	No.	£
Ordinary shares of £0.10 each	90	9	90	9

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

18 Related party transactions

During the period 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.

Healthy Pets Limited

Notes to the Unaudited Financial Statements for the Period from 1 January 2021 to 30 June 2022 (continued)

19 Parent and ultimate parent undertaking

The immediate parent company is Atlanta Investment Holdings 2 Limited and the ultimate parent company is Tara Topco Limited.

The Group's majority shareholder and ultimate controlling party at 30 June 2022 is Madison Dearborn Partners LLC. The parent company of the largest group that prepares group financial statements that consolidate the Company is Ardonagh Group Holdings Limited (incorporated in England, registered office address 2 Minster Court, Mincing Lane, London, EC3R 7PD). The parent company of the smallest group that prepares group financial statements at 30 June 2022 that consolidate the Company is Ardonagh Midco 2 plc (incorporated in Great Britain, registered office address 2 Minster Court, London, EC3R 7PD). Financial statements for The Ardonagh Group Limited and Ardonagh Midco 2 plc are available on request from:

2 Minster Court
Mincing Lane
London
EC3R 7PD

20 Subsequent events

The Company performed a review of events subsequent to the balance sheet date through the date the financial statements were issued and determined that there were no such events requiring recognition or disclosure in the financial statements.