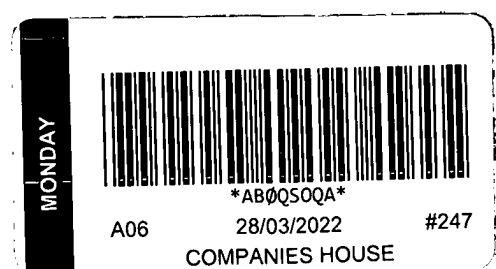


Registration number: 03209135

Healthy Pets Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020



Healthy Pets Limited

Contents

	Pages
Company Information	1
Strategic Report	2 to 6
Directors' Report	7 to 8
Statement of Directors' Responsibilities	9
Independent Auditor's Report to the members of Healthy Pets Limited	10 to 13
Statement of Comprehensive Income	14
Statement of Financial Position	15 to 16
Statement of Changes in Equity	17
Notes to the Financial Statements	18 to 42

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
Auditor	Deloitte LLP 1 New Street Square London EC4A 3HQ United Kingdom

Healthy Pets Limited

Strategic Report for the Year Ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020 for Healthy Pets Limited ("the Company"). The Strategic Report provides a review of the business for the financial year and describes how the directors manage risks. The report outlines the performance of the Company during the financial year and its position at the end of the year. The report discusses the developments that have affected the Company and the main trends and factors that could affect its future. The Company is part of the Ardonagh Group ("The Group") and forms part of the Retail segment ("The Segment") of the Ardonagh business, known as "Atlanta".

Principal activities and business review

The principal activity of the Company is that of online pet insurance intermediary service providers.

The results for the Company show turnover of £4,889,634 (2019: £3,462,098) and profit before tax of £2,957,417 (2019: £2,150,157) for the year. At 31 December 2020 the Company had net assets of £7,286,738 (2019: £4,890,040). The going concern note (part of accounting policies) on page 20 sets out the reasons why the directors believe that the preparation of the financial statements on a basis other than going concern is appropriate.

The Company has transitioned to Financial Report Standard 101 ("*FRS 101 Reduced Disclosure Framework*") with a conversion date of 1 January 2019. As required by IFRS 1 "First-time adoption of IFRS", the company has applied the relevant accounting policies in place on 31 December 2020 to all periods presented. The company has taken advantage of the disclosure exemptions allowed under this standard. The Company's parent undertaking was notified of and did not object to the use of the FRS 101 disclosure exemptions. A summary of the recognition and remeasurement adjustments arising from the adoption of FRS 101 can be found in note 20.

Business strategy and objectives

The Company's vision is to be one of the leading online pet insurance intermediary services providers in the UK. In delivering this vision the Company has identified the following strategic goals:

- to deliver pet insurance driven by technology and people to our customers;
- use the combined expertise of the Company with the wider group connections across the chosen market;
- increase market share in all the Company's core market; and
- develop and consolidate capability bandwidth through vertical and horizontal expansion of products.

Outlook

The directors do not expect there to be any changes in the nature of the business, however on 1 February 2022 the trade and associated assets of Healthy Pets Limited were transferred to Atlanta Insurance Intermediaries Limited, a company under common control. The transfer of the business will provide increased support and benefits to the Healthy Pets brand and trading activities.

Following the transfer of the trade and associated assets it is expected that the Company will be dissolved, and that this process will take approximately 18 to 24 months.

Healthy Pets Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

Key performance indicators

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

	Unit	2020	2019
Gross written premium (GWP) brokered	£m	15.5	11.7
Total income (commission and fees, and other income)	£m	4.9	3.5
Administrative expenses (salaries and associated costs, and other operating costs)	£m	1.9	1.3
Total income/GWP ratio	%	31.6	29.9
Administrative expenses/total income ratio	%	38.8	37.1

The total income/GWP ratio has increased from 29.9% in 2019 to 31.6% in 2020. This is due to income increasing by 40% in 2020 and GWP increasing by 32.5% showing that the premiums brokered have been more profitable in 2020. Administrative expenses have increased from £1.3m in 2019 to £1.9m in 2020. The increase is mainly due to marketing and advertising expenses which have increased by nearly £0.6m since 2019.

The Company's key non-financial performance indicator is staffing levels, which have increased by 18.2% from 11 to 13 throughout the year mainly due to an increase in sales staff.

The Company actively encourages all employees to become involved in Company affairs and is also keen to encourage two-way communications on relevant business issues. This is achieved through regular employee meetings and by presentations by senior management, supported by a Group-wide communication plan. Further discussion of employee matters can be found in the directors' report.

Principal risks and uncertainties

The Company has a comprehensive strategy for the identification, mitigation and management of risk. A wide-ranging assessment of business risks has been undertaken resulting in the compilation of a risk register. The risk register is subject to discussion at regular Group Risk Management Committee meetings and the Company's ongoing risk management ensures there is appropriate reporting from the business which will highlight changes in risk profile to the Group Risk Management Committee. The risks are managed and monitored to be within the agreed risk appetite. If a risk exceeds appetite, management actions will be put in place to bring it within appetite.

The principal risks and their mitigation are as follows:

Strategic and commercial risk

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

Healthy Pets Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

Financial risk

The Company has demonstrated its resilience from an economic shock and demonstrated operational and financial resilience in 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 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 £767.1m at 31 December 2021 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.

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.

Regulatory and legal risk

This is the risk of regulatory sanctions, material financial loss or loss to reputation suffered as a result of non-compliance with laws, regulations and applicable administrative provisions. This risk is mitigated by a proactive relationship with the Financial Conduct Authority, a dedicated compliance function, and a compliance monitoring programme. Furthermore, there is a control framework that has been rolled out throughout the Group and embedded within its culture to reduce the risk of errors and non-compliance.

Cyber-security and data protection

Healthy Pets Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

Our computer systems store information about our customers and employees, some of which is sensitive personal data. Although we have taken reasonable and appropriate security measures to prevent unauthorised access to information stored in our databases and to ensure that our processing of personal data complies with the General Data Protection Regulations (GDPR), our technology may, on occasion, fail to adequately secure the private information we maintain in our databases and protect it from theft or inadvertent loss. Our systems, and the wider public infrastructure they rely on, may also be subject to attack preventing use and disrupting business operations.

The Company and Group has robust policies, business standards and control frameworks in place for both cyber security and data protection.

Following the appointment of the Group CISO at 2019 year-end, a 3-year group-wide Cyber Resilience Strategy was established, with all major areas of the Group developing related cyber remediation roadmaps (with a particular focus on related IT control environments) where required, to further review and enhance the maturity and capability of cyber and information security processes and controls across the Group. Appropriate mechanisms have also been embedded to help effectively track and manage related cyber risk across the Group.

The Company and Group continues to have a cyber insurance policy in place to mitigate financial risks associated with data breaches and cyber-attacks.

Healthy Pets Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

Future impact of Brexit

Brexit affects the ability of businesses to passport from the UK into other EU states and likewise into the UK from the EU. The Group's plans always assumed a no deal, 'hard' Brexit and as such the Group was prepared for Brexit. The direct impact on the Group's UK businesses is not significant because they conduct only limited business within the EU and, importantly, because the operating segments have implemented mitigation strategies (e.g. gaining direct authorisation in certain EU member states) to reduce the risk. However, the loss of passporting rights may affect the insurance markets in which the Group operates, possibly reducing insurance capacity, competition and choice.

Brexit could also extend the current Covid-19 induced general decline in economic conditions in the UK where the Group operates predominantly. The diversified business portfolio of the Group continues to mitigate the risk of a general decline in economic conditions, including from Brexit and Covid-19.

Approved by the Board on 25 March 2022 and signed on its behalf by:



.....
C D Ball
Director

Healthy Pets Limited

Directors' Report for the Year Ended 31 December 2020

The directors present their annual report and the audited financial statements for the year ended 31 December 2020.

Directors of the Company

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

D Coles (appointed 31 December 2020 and resigned 21 May 2021)

S Hough (appointed 31 December 2020 and resigned 21 May 2021)

S Anson (resigned 30 September 2020)

M Effenberg (resigned 31 December 2020)

A Erotocritou (resigned 31 December 2020)

The following directors were appointed after the year-end:

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 year ended 31 December 2020 (2019: £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 year (2019: £Nil).

Employment of disabled persons

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

Employee involvement

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

Healthy Pets Limited

Directors' Report for the Year Ended 31 December 2020 (continued)

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 and that this process will take approximately 18 to 24 months. As a consequence, the financial statements have been prepared on a basis other than 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 year and at the date of this report.

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditor

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

Approved by the Board on 25 March 2022 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 year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework".

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

- select suitable accounting policies and then apply them consistently;
- make 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 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

Independent Auditor's Report to the members of Healthy Pets Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Healthy Pets Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 20.

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.

Emphasis of matter – Financial statements prepared other than on a going concern basis

We draw attention to note 2 in the financial statements, which indicates that the financial statements have been prepared on a basis other than going concern. Our opinion is not modified in respect of this matter.

Healthy Pets Limited

Independent Auditor's Report to the members of Healthy Pets Limited (continued)

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Healthy Pets Limited

Independent Auditor's Report to the members of Healthy Pets Limited (continued)

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and 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 including relevant internal specialists such as tax specialists regarding the opportunities and incentives that may exist within the organization for fraud and how and where fraud might occur in the financial statements.

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

We have assessed that there is a significant risk of material misstatement relating to revenue recognition which is pinpointed to cut off assertion. Our procedures to address this included:

- obtaining an understanding of the revenue process and the flow of financial information into the general ledger; and
- performing additional cut-off procedures on the revenue balance at the year-end to ensure underlying assumptions used to arrive at the mid-term policy cancellation rate for estimating revenue on accrual basis is not misstated.

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 concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC and regulatory authorities.

Report on other legal and regulatory requirements

Opinion on other matter prescribed by the Companies Act 2006

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

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

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

Healthy Pets Limited

Independent Auditor's Report to the members of Healthy Pets Limited (continued)

Matters on which we are required to report by exception

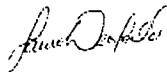
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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



.....
Jamie Weisfeld (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

25 March 2022

Healthy Pets Limited

Statement of Comprehensive Income for the Year Ended 31 December 2020

		2020	As restated 2019
	Note	£	£
Commission and fees	4	4,889,634	3,462,098
Salaries and associated costs	7	(434,592)	(346,419)
Other operating costs		(1,442,207)	(906,643)
Depreciation, amortisation and impairment of non-financial assets	5	<u>(33,476)</u>	<u>(33,545)</u>
Operating profit	5	<u>2,979,359</u>	<u>2,175,491</u>
Finance income		281	828
Finance costs		<u>(22,223)</u>	<u>(26,162)</u>
Net finance costs	6	<u>(21,942)</u>	<u>(25,334)</u>
Profit before tax		2,957,417	2,150,157
Income tax expense	9	<u>(560,719)</u>	<u>(442,742)</u>
Profit for the year		<u><u>2,396,698</u></u>	<u><u>1,707,415</u></u>

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

The notes on pages 18 to 42 form an integral part of these financial statements.

Healthy Pets Limited

(Registration number: 03209135)

Statement of Financial Position as at 31 December 2020

	Note	2020 £	As restated 2019 £
Non-current assets			
Property, plant and equipment	10	36,779	37,415
Right-of-use assets	11	150,114	174,234
Trade and other receivables	13	651,004	816,678
		<u>837,897</u>	<u>1,028,327</u>
Current assets			
Cash and cash equivalents	12	2,059,858	1,954,106
Trade and other receivables	13	7,274,833	3,819,020
		<u>9,334,691</u>	<u>5,773,126</u>
Current liabilities			
Trade and other payables	14	(1,481,330)	(1,047,331)
Lease liabilities	11	(39,758)	(39,757)
Tax liabilities	9	(1,240,461)	(678,611)
		<u>(2,761,549)</u>	<u>(1,765,699)</u>
Net current assets		<u>6,573,142</u>	<u>4,007,427</u>
Total assets less current liabilities		<u>7,411,039</u>	<u>5,035,754</u>
Non-current liabilities			
Lease liabilities	11	(123,539)	(143,821)
Deferred tax liabilities	9	(762)	(1,893)
		<u>(124,301)</u>	<u>(145,714)</u>
Net assets		<u>7,286,738</u>	<u>4,890,040</u>
Capital and reserves			
Share capital	16	9	9
Retained earnings		7,286,728	4,890,030
Revaluation reserve		<u>1</u>	<u>1</u>
Total equity		<u>7,286,738</u>	<u>4,890,040</u>

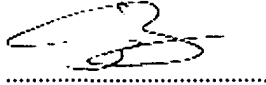
The notes on pages 18 to 42 form an integral part of these financial statements.

Healthy Pets Limited

(Registration number: 03209135)

Statement of Financial Position as at 31 December 2020 (continued)

Approved by the Board on 25 March 2022 and signed on its behalf by:



.....
C D Ball
Director

The notes on pages 18 to 42 form an integral part of these financial statements.

Healthy Pets Limited

Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £	Revaluation reserves £	Retained earnings £	Total £
At 1 January 2020	9	1	4,890,030	4,890,040
Net profit for the year	-	-	2,396,698	2,396,698
At 31 December 2020	<u>9</u>	<u>1</u>	<u>7,286,728</u>	<u>7,286,738</u>

	Share capital £	Revaluation reserves £	Retained earnings £	Total £
At 1 January 2019	9	1	2,538,990	2,539,000
Opening balance adjustment	-	-	643,625	643,625
At 1 January 2019 (as restated)	9	1	3,182,615	3,182,625
Net profit for the year (as restated)	-	-	1,707,415	1,707,415
At 31 December 2019	<u>9</u>	<u>1</u>	<u>4,890,030</u>	<u>4,890,040</u>

Comparative values for the year ended 31 December 2019 have been restated as a result of these financial statements for the year ended 31 December 2020 being prepared in accordance with FRS 101. For all periods up to and including the year ended 31 December 2019, the Company prepared its financial statements in accordance with Financial Reporting Standard 102 ('FRS 102').

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.

Healthy Pets Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

1 General information

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

The financial statements for the year ended 31 December 2020 were authorised for issue by the Board on 25 March 2022 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 years 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 2020 or not yet effective and that are expected to materially impact the Company's financial statements.

First time adoption of FRS 101

These financial statements for the year ended 31 December 2020 are the first the Company has prepared in accordance with FRS 101. For all periods up to and including the year ended 31 December 2019, the Company prepared its financial statements in accordance with Financial Reporting Standard 102 ('FRS 102').

Accordingly, the Company has prepared financial statements that comply with FRS 101 applicable as at 31 December 2020, together with the comparative period data for the year ended 31 December 2019, as described in the note 20. This note explains the principal adjustments made by the Company in restating its FRS 102 financial statements, including its net asset position as at 1 January 2019 and the financial statements as of, and for, the year ended 31 December 2019. The transition date to FRS 102 was 1 January 2019.

Healthy Pets Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Summary of disclosure exemptions

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("EU-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 1 'First-time adoption of International Financial Reporting Standards';
- 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;
- 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 The Ardonagh Group Limited as at 31st December 2020 and details on how to obtain these financial statements can be found in note 18.

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 28.

Healthy Pets Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Going concern

As shown in account note 18, the Company is a member of a group ("the Group") of which The Ardonagh Group Limited ("TAGL") is the ultimate parent company and the highest level at which results are consolidated.

At 31 December 2020 the Company had net assets of £7,286,738 (2019: £4,890,040) and net current assets of £6,573,142 (2019: £4,007,427). The net current assets include amounts receivable from related parties of £3,832,337 (2019: £1,994,846), and amounts due to related parties of £37,921 (2019: £2,008). The Company reported a profit before tax £2,957,417 (2019: £2,150,157).

From 1 February 2022, the Company sold 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 and that this process will take approximately 18 to 24 months. 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.

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.

Healthy Pets Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

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 Group 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 Group 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 Group, and payments of penalties for terminating a lease if the lease term reflects the Group 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 Group 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.

The Company has recognised lease liabilities at the date of transition based on the present value of the remaining lease payments discounted using the company's incremental borrowing rate at the date of transition. A right-of-use asset for each lease has been recognised an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease that were recognised in the statement of financial position immediately prior to 1 January 2019.

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.

Healthy Pets Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

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.

Additional provision for expected credit losses have been recognised in respect of trade receivables at the date of transition based on a lifetime expected losses approach. An expected credit loss provision has similarly been determined for the years ended 31 December 2019 and 31 December 2020.

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 Financial Statements for the Year Ended 31 December 2020 (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 Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Financial assets classified as FVTOCI

Financial assets are classified and subsequently measured at FVTOCI if they meet the criteria to be classified at amortised cost except that the business model is to sell financial assets as well as to hold financial assets to collect contractual cash flows.

The Company may also irrevocably elect to classify and subsequently measure equity investments at FVTOCI. Gains and losses on these equity instruments are never recycled to profit or loss. Dividend income from equity instruments measured at FVTOCI is recognised in profit or loss as part of investment income when the right to payment has been established (provided that it is probable that the economic benefits will flow to the Company and that the amount of income can be measured reliably), except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in other comprehensive income. The right to payment is established on the ex-dividend date for listed equity securities, and usually on the date when shareholders approve the dividend for unlisted equity securities. Equity instruments at FVTOCI are not subject to an impairment assessment.

Financial assets classified as FVTPL

Financial assets not otherwise classified above are classified and measured as 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 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.

Healthy Pets Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

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.

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

Healthy Pets Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

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 31 December 2020 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.

Classification and subsequent measurement of financial liabilities

All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

Financial liabilities at fair value through the profit or loss

Financial liabilities are classified and measured at FVTPL when 1) the financial liability is contingent consideration relating to a business combination to which IFRS 3 applies, or 2) it is a derivative.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities. The Company's financial liabilities include trade and other payables. Trade payables are initially recognised at fair value and are subsequently measured at amortised cost.

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.

Healthy Pets Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

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.

The Company has applied the revenue recognition policies under IFRS 15 on a retrospective basis and determined the impact to revenue and contract balances at the date of transition.

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.

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.

Healthy Pets Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

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 financial assets or liabilities, including lease liabilities and lease receivables.

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

Interest earned on assets mandatorily required to be measured at FVTPL is recorded using the contractual interest rate.

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

Healthy Pets Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical judgements in applying accounting policies

Leases – determination of the discount rate

Under IFRS 16 the Company is required to measure the lease liabilities at the present value of lease payments to be made over the lease term. In substantially all leases the Group uses the incremental borrowing rate at the lease commencement date because the rate implicit in the lease is not readily determinable. The determination of the incremental borrowing rate has a material impact on the amounts initially recognised as a lease liability and as a corresponding right-of-use asset. It also impacts the amounts that are subsequently recognised as amortisation and interest expense in the statement of profit or loss.

The Company has determined the discount rate based on the interest rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to a right-of-use asset, and it is applied to new leases and certain modifications to existing leases.

For the first half of 2020, the Group used an average discount rate of 11.7%. From 14 July 2020, following changes to the Group's borrowing arrangements, the Group used an average discount rate of 9.5%, and prior to that the incremental borrowing rate was determined using a matrix and was dependant on the lease term and amount and for the Company, was determined to be 13.53%.

Key sources of estimation uncertainty

Revenue recognition

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

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

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

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

Healthy Pets Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

4 Turnover

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

	2020 £	2019 £
Commission and fees	4,889,634	3,462,098
	<u>4,889,634</u>	<u>3,462,098</u>

Turnover consists entirely of sales made in the United Kingdom.

5 Operating profit

Arrived at after charging:

	2020 £	2019 £
Auditor's remuneration: audit of these financial statements	16,223	15,450
Depreciation of property, plant and equipment	8,356	7,863
Depreciation on right-of-use assets	<u>24,120</u>	<u>25,682</u>

Amounts receivable by the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, The Ardonagh Group Limited.

6 Finance income and finance costs

	2020 £	2019 £
Finance income		
Other finance income	281	828
Finance costs		
Effective interest on lease liabilities	<u>(22,223)</u>	<u>(26,162)</u>
Net finance costs	<u>(21,942)</u>	<u>(25,334)</u>

Finance costs represent the unwinding of discount calculated on the right-of-use liabilities following the adoption of IFRS 16 (note 11).

Healthy Pets Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

7 Staff costs

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

	2020 £	2019 £
Wages and salaries	393,217	315,674
Social security costs	33,681	26,783
Pension costs, defined contribution scheme	7,694	3,962
	<u>434,592</u>	<u>346,419</u>

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

	2020 No.	2019 No.
Administration	1	1
Sales	10	8
Management	2	2
	<u>13</u>	<u>11</u>

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £	2019 £
Aggregate emoluments	74,500	100,000
	<u>74,500</u>	<u>100,000</u>

The aggregate emoluments of the highest paid director were £74,500 (2019: £100,000) and company pension contributions of £2,392 (2019: £2,392) were made to a money purchase scheme on their behalf.

All directors benefit from qualifying third-party indemnity provisions in place during the financial period and at the date of this report.

Retirement benefits are accruing in money purchase pension schemes for 1 director (2019: 1).

Healthy Pets Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

9 Income tax

Tax charged in the Statement of Comprehensive Income

	2020 £	2019 £
Current taxation		
UK corporation tax	563,745	440,849
UK corporation tax adjustment to prior periods	<u>(1,895)</u>	<u>-</u>
	<u>561,850</u>	<u>440,849</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	(686)	1,893
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	<u>(445)</u>	<u>-</u>
Total deferred taxation	<u>(1,131)</u>	<u>1,893</u>
Tax charge in the Statement of Comprehensive Income	<u><u>560,719</u></u>	<u><u>442,742</u></u>

The differences are reconciled below:

	2020 £	2019 £
Profit before tax	<u>2,957,417</u>	<u>2,150,157</u>
Corporation tax at standard rate of 19% (2019: 19%)	561,910	408,530
Expenses not deductible for tax purposes	58	-
Deferred tax expense relating to changes in tax rates or laws	654	-
Tax adjustment in respect of prior years	(1,895)	-
Other	-	28,204
Increase from effect of capital allowances depreciation	437	-
Deferred tax expense from unrecognised tax loss or credit	-	6,008
Deferred tax credit from unrecognised temporary difference from a prior period	<u>(445)</u>	<u>-</u>
Total tax charge	<u><u>560,719</u></u>	<u><u>442,742</u></u>

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.

Healthy Pets Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

9 Income tax (continued)

Deferred tax

Deferred tax assets and liabilities

	Asset £	Liability £	Net deferred tax £
2020			
Accelerated tax depreciation	-	(4,877)	(4,877)
Transition adjustments arising from first time adoption of IFRS 16	4,115	-	4,115
	<u>4,115</u>	<u>(4,877)</u>	<u>(762)</u>

	Asset £	Liability £	Net deferred tax £
2019			
Accelerated tax depreciation	-	(6,008)	(6,008)
Transition adjustments arising from first time adoption of IFRS 16	4,115	-	4,115
	<u>4,115</u>	<u>(6,008)</u>	<u>(1,893)</u>

Deferred tax movement during the year:

	At 1 January 2020 £	Recognised in income £	At 31 December 2020 £
Accelerated tax depreciation	(6,008)	1,131	(4,877)
Transition adjustments arising from 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 Financial Statements for the Year Ended 31 December 2020 (continued)

9 Income tax (continued)

Deferred tax movement during the prior year:

	At 1 January 2019 £	Recognised in income £	At 31 December 2019 £
Accelerated tax depreciation	-	(6,008)	(6,008)
Transition adjustments arising from first time adoption of IFRS 16	-	4,115	4,115
Net tax assets/(liabilities)	-	(1,893)	(1,893)

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 31 December 2020 continue to be measured at a rate of 19% as this was the substantively enacted rate at that date.

10 Property, plant and equipment

	Freehold property £	Computer equipment £	Furniture and office equipment £	Total £
Cost or valuation				
At 1 January 2020	1,607	95,166	51,144	147,917
Additions	-	7,131	589	7,720
At 31 December 2020	1,607	102,297	51,733	155,637
Depreciation				
At 1 January 2020	-	61,849	48,653	110,502
Charge for the year	-	7,762	594	8,356
At 31 December 2020	-	69,611	49,247	118,858
Carrying amount				
At 31 December 2020	1,607	32,686	2,486	36,779
At 31 December 2019	1,607	33,317	2,491	37,415

Healthy Pets Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

11 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 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	<u>150,114</u>	<u>150,114</u>	<u>(163,297)</u>

As at 31 December 2020, £39,758 (2019: £39,757) lease liabilities are considered current and £123,539 (2019: £143,821) 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 2019.

	Property £	Total £	Lease Liabilities £
At 1 January 2019	214,089	214,089	(214,089)
Terminations/modifications	(14,173)	(14,173)	14,173
Depreciation charged for the year	(25,682)	(25,682)	-
Interest expense	-	-	(26,162)
Lease payments	-	-	42,500
At 31 December 2019	<u>174,234</u>	<u>174,234</u>	<u>(183,578)</u>

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

Healthy Pets Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

11 Leases (continued)

	2020 £	2019 £
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)	9,644	-
	<u>9,644</u>	<u>-</u>

During the year ended 31 December 2020, the total cash outflows for leases was £52,147 (2019: £42,500).

Maturity analysis

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

	2020 £	2019 £
Within one year	42,500	42,500
In one to five years	155,656	171,948
In over five years	25,841	52,049
Total undiscounted value	<u>223,997</u>	<u>266,497</u>

12 Cash at bank and in hand

	2020 £	2019 £
Own funds	619,665	909,753
Fiduciary funds	1,440,193	1,044,353
	<u>2,059,858</u>	<u>1,954,106</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.

13 Trade and other receivables

	2020 £	2019 £
Other assets*	651,004	816,678
Total non-current trade and other receivables	<u>651,004</u>	<u>816,678</u>

Healthy Pets Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

13 Trade and other receivables (continued)

	2020 £	2019 £
Current trade and other receivables		
Trade receivables	2,836,334	1,820,487
Receivables from other Group companies	3,832,337	1,994,846
Other assets*	606,162	3,687
Total current trade and other receivables	<u>7,274,833</u>	<u>3,819,020</u>

Other assets totalling £1,329,991 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.

14 Trade and other payables

	2020 £	2019 £
Current trade and other payables		
Trade payables in relation to insurance transactions	1,440,196	1,044,357
Accrued expenses	1,995	-
Amounts due to other Group companies	37,921	2,008
Other payables	1,218	966
	<u>1,481,330</u>	<u>1,047,331</u>

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

15 Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The total cost charged to the Statement of Comprehensive Income of £7,694 (2019: £3,962) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans.

Healthy Pets Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

16 Share capital

Allotted, called up and fully paid shares

	No.	2020 £	No.	2019 £
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.

17 Related party transactions

The Company leases two properties from a Landlord that was also a Director of the Company during the year. The non-cancellable lease terms are 20 years commencing on 11 May 2006 and 20 years commencing on 20 December 2007, the annual rental is a total of £42,500 and the related lease liability and right-of-use asset as at 31 December 2020 is £163,297 and £150,114 respectively.

18 Parent and ultimate parent undertaking

The Group's majority shareholder and ultimate controlling party at 31 December 2020 is HPS Investment Partners LLC. The parent company of the largest group that prepares group financial statements at 31 December 2020 that consolidate the Company is 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 2020 that consolidate the Company is Ardonagh Midco 2 plc (incorporated in Great Britain, registered office address 2 Minster Court, London, EC3R 7PD). The immediate parent company of Healthy Pets Limited is Atlanta Investment Holdings 2 Limited. 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

19 Subsequent events

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

Healthy Pets Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

20 Transition to FRS 101

Statement of Financial Position at 1 January 2019

	As originally reported £	Remeasurement £	As restated £
Non-current assets			
Property, plant and equipment	46,278	-	46,278
Right-of-use assets	-	214,089	214,089
Trade and other receivables	-	568,485	568,485
	<u>46,278</u>	<u>782,574</u>	<u>828,852</u>
Current assets			
Trade and other receivables	1,629,870	193,017	1,822,887
Cash at bank and in hand	1,504,981	-	1,504,981
	<u>3,134,851</u>	<u>193,017</u>	<u>3,327,868</u>
Current liabilities			
Trade and other payables	(189,339)	-	(189,339)
Tax liabilities	(452,790)	(117,877)	(570,667)
	<u>2,492,722</u>	<u>75,140</u>	<u>2,567,862</u>
Net current assets	<u>2,492,722</u>	<u>75,140</u>	<u>2,567,862</u>
Total assets less current liabilities	<u>2,539,000</u>	<u>857,714</u>	<u>3,396,714</u>
Non-current liabilities			
Lease liabilities	-	(214,089)	(214,089)
	<u>-</u>	<u>(214,089)</u>	<u>(214,089)</u>
Net assets	<u>2,539,000</u>	<u>643,625</u>	<u>3,182,625</u>
Capital and reserves			
Share capital	9	-	9
Revaluation reserve	1	-	1
Retained earnings	2,538,990	643,625	3,182,615
Total equity	<u>2,539,000</u>	<u>643,625</u>	<u>3,182,625</u>

Adjustments shown in the above table during the transition from FRS 102 to FRS 101 consist of (i) remeasurement of right-of-use assets and the lease liability due more than 1 year of £214,089, (ii) remeasurement of IFRS 15 balances of £193,017 within one year and £568,485 more than one year to recognise IFRS 15 contract and other assets, and (iii) remeasurement of corporation tax liability of £117,877.

Healthy Pets Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

Statement of Financial Position at 31 December 2019

	As originally reported £	Reclassification £	Remeasurement £	As restated £
Non-current assets				
Property, plant and equipment	37,415	-	-	37,415
Right-of-use assets	-	-	174,234	174,234
Trade and other receivables	-	-	816,678	816,678
	<u>37,415</u>	<u>-</u>	<u>990,912</u>	<u>1,028,327</u>
Current assets				
Trade and other receivables	3,755,216	23,504	40,300	3,819,020
Cash at bank and in hand	<u>909,753</u>	<u>1,044,353</u>	<u>-</u>	<u>1,954,106</u>
	4,664,969	1,067,857	40,300	5,773,126
Current liabilities				
Trade and other payables	(181,858)	(865,473)	-	(1,047,331)
Lease liabilities	-	-	(39,757)	(39,757)
Tax liabilities	<u>(311,854)</u>	<u>(202,384)</u>	<u>(164,373)</u>	<u>(678,611)</u>
Net current assets	<u>4,171,257</u>	<u>-</u>	<u>(163,830)</u>	<u>4,007,427</u>
Total assets less current liabilities	<u>4,208,672</u>	<u>-</u>	<u>827,082</u>	<u>5,035,754</u>
Non-current liabilities				
Lease liabilities	-	-	(143,821)	(143,821)
Deferred tax liabilities	<u>(6,008)</u>	<u>-</u>	<u>4,115</u>	<u>(1,893)</u>
	<u>(6,008)</u>	<u>-</u>	<u>(139,706)</u>	<u>(145,714)</u>
Net assets	<u>4,202,664</u>	<u>-</u>	<u>687,376</u>	<u>4,890,040</u>
Capital and reserves				
Share capital	9	-	-	9
Retained earnings	4,202,654	-	687,376	4,890,030
Revaluation reserve	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
Total equity	<u>4,202,664</u>	<u>-</u>	<u>687,376</u>	<u>4,890,040</u>

Healthy Pets Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

Adjustments shown in the above table during the transition from FRS 102 to FRS 101 consist of (i) remeasurement of right-of-use assets of £174,234, (ii) remeasurement of IFRS 15 balances due within 1 year of £40,300, (iii) remeasurement of IFRS 15 balances due more than 1 year of £816,678, (iv) remeasurement of lease liabilities due within 1 year of £39,757 and remeasurement of tax and deferred tax liabilities of £4,115, (v) remeasurement of lease liabilities due more than one year of £143,821, (vi) reclassification of Trust account bank balance of £1,044,353 from Trade and other payables to Cash at bank and in hand, and (vii) reclassification of group tax relief of £23,504 from intercompany receivables and £202,384 from intercompany payables to tax liabilities.

Healthy Pets Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

Statement of Comprehensive Income for the year ended 31 December 2019

	As originally reported £	Remeasurement £	As restated £
Commission and fees	3,613,815	(151,717)	3,462,098
Other operating costs	<u>(1,551,618)</u>	<u>265,011</u>	<u>(1,286,607)</u>
Operating profit	<u>2,062,197</u>	<u>113,294</u>	<u>2,175,491</u>
Finance income	828	-	828
Finance costs	<u>-</u>	<u>(26,162)</u>	<u>(26,162)</u>
Net finance income/(costs)	<u>828</u>	<u>(26,162)</u>	<u>(25,334)</u>
Profit before tax	2,063,025	87,132	2,150,157
Tax on profit	<u>(399,361)</u>	<u>(43,381)</u>	<u>(442,742)</u>
Profit for the year	<u><u>1,663,664</u></u>	<u><u>43,751</u></u>	<u><u>1,707,415</u></u>

Adjustments shown in the above table during the transition from FRS 102 to FRS 101 consist of (i) remeasurement of IFRS 15 revenue adjustment of £151,717, (ii) remeasurement of other operating costs due to IFRS 15 and IFRS 16 of £265,011, (iii) remeasurement of discount payable on right-of-use lease liabilities of £26,162, and (iv) remeasurement of tax on profits of £43,381.