

Price Forbes & Partners Limited

Annual report and
financial statements

For the year ended 31 December 2020

Registered Number 05734247



PRICE FORBES & PARTNERS LIMITED

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COMPANY INFORMATION AND PROFESSIONAL ADVISORS

DIRECTORS: J A Masterton
A Erotocritou
R L Peers (appointed 23 September 2020)

REGISTERED OFFICE: 2 Minster Court
Mincing Lane
London
EC3R 7PD
United Kingdom

BANKERS: The Royal Bank of Scotland
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EC2M 4RB
United Kingdom

SOLICITORS: Freshfields
65 Fleet Street
London
EC4Y 1HS
United Kingdom

REGISTERED INDEPENDENT AUDITORS: Deloitte LLP
Statutory Auditor
1 New Street Square
London
EC4A 3HQ
United Kingdom

STRATEGIC REPORT

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

Review of the Business

The Company's turnover grew by 13.8m, an increase of 16% over prior year. The year saw good growth from the core lines as well as growth from our regional strategy with the broader product and territorial teams. Complimentary to this we have continued investment in new specialism capabilities and strengthening our existing production base, with highly encouraging progress being made on our historic investments whilst securing a further cohort of talent through 2020. The rating environment has been strengthening across the majority of our markets through 2020.

The Company's investments maintain strong bench strength in the classes in which we chose to operate which continues to ensure we are a preferred choice of London based broker. These investments will continue to mature into 2021 and provide a strong foundation for our business.

The risks the Company faces regarding Brexit are diluted as the Company's income is primarily sourced from countries outside the EU. The insurance markets we access on behalf of our clients are predominantly UK based and therefore the board does not envisage a material shift in access to this capacity post Brexit. The Company has developed a post Brexit strategy to ensure its clients have access to the most appropriate markets for their needs.

Investment and Future Developments

As part of the Company's continued investment in the future of its business and people, further new product lines were added to those already offered including strengthening our reinsurance capability. In addition the Company hired talented individuals and teams into existing departments to complement and enhance these sector leaders. This continued investment in talent will ensure the Company maintains its preeminent position in the London Wholesale Broking market.

Financial Performance and Key Performance Indicators

The company took the opportunity to transition to FRS 101 and so these financial statements for the year ended 31 December 2020 are the first the Company has prepared in accordance with that standard which is detailed in note 23.

The investment required to facilitate the Company's turnover growth of £13.8m resulted in an increase in operating profit of £4.8m. The bridge to underlying EBITDA which adjusts out investment in the future growth of the business can be shown as follows:

	2020 Reported £'m	2019 (restated) Reported £'m
EBITDA	£24.2	£17.2
Investment in People	£3.8	£3.1
Adjusted underlying EBITDA	£28.0	£20.2

EBITDA excludes the management fee charged by a fellow subsidiary of the Company's parent relating to the licence of certain intangible assets held by a fellow subsidiary of the Company's parent. It includes other operating income and losses on derivative instruments.

The Company's hedging policy is to sell forward the Company's anticipated US dollar receipts for the following twelve months. The fall in the value of GBP in the year has strengthened the trading outlook of the Company but hedges maturing in the year, at an average rate of 1.3001, generated a charge to the Statement of Comprehensive Income of £0.3m in the year.

STRATEGIC REPORT (continued)

The key financial performance indicators for the Company are set out below:

	2020 Reported £'m	2019 (restated) Reported £'m
Turnover	102.2	88.4
EBITDA	24.2	17.2
Profit Before Tax	17.9	9.8
Net Assets	46.6	32.7

Financial Position at the Reporting Date

Net assets stood at £47.0m as at 31 December 2020 up £14.3m on last year end. No dividend was declared.

Companies Act s172 duty

The Directors take seriously their obligations under s.172 (1) (a)-(f) of the Companies Act 2006 ("S.172 Duties") to act in a way they consider, in good faith, would be the most likely to promote the success of the Company for the benefit of its members as a whole and in doing so, have regard to; the likely consequences of any decision in the long-term, the interests of the Company's employees, the need to foster the Company's business relationships with suppliers, customers and others, the impact of the Company's operations on the community and the environment, the desirability of the Company maintaining a reputation for high standards of business conduct and the need to act fairly as between members of the Company. The day to day Board level governance over the Price Forbes business is undertaken by the Ardonagh Specialty Holdings Limited Board ("Specialty Board"). The majority of directors of the Company are members of the Specialty Board. The Specialty Board considers the long-term consequences of its decisions and has identified the following as our key stakeholders and how the Specialty Board engages with each stakeholder group as set out below.

Employees

Our employees are central to the success of Price Forbes and the remuneration structure is designed to reward good performance at the individual and business level and support our culture and non-financial conduct. In addition, our businesses focus on providing working conditions that are Covid-19 safe and providing long-term career prospects for staff with opportunities to up-skill through training and study support and, if appropriate, movement across different Ardonagh businesses. The Specialty Board has undertaken a review of management succession and upcoming talent, including a focus on improving diversity of our senior leaders over time. The Employee Group Plan is a new equity scheme established in 2020 to recognise the wider contribution of employees; identifying key talent and future leaders within the wider Ardonagh Group, including Price Forbes. The plan has created a more diverse group both in terms of age and gender that now hold equity.

As a Board we believe in the importance of communication and engagement with all employees and this has become increasingly important as the majority of our staff moved to homeworking in 2020. The Business undertook regular communication and engagement activities and have a number of staff trained as mental health first aiders. There were also a number of Group initiatives that Price Forbes took part in, such as Radio Ardonagh that won the IC Brilliance award for top internal communications campaign. Other Group initiatives include 'applause' where employees can give a 'shout out' to their colleagues who have gone above and beyond. The second Ardonagh Group-wide employee pulse survey was undertaken in Q1 2021 in which Price Forbes participated. The survey, which achieved an improved 69% from Ardonagh Specialty (2019: 54%). The results have been promising with an overall Ardonagh Group positivity score of 75% (2019: 69%).

STRATEGIC REPORT (continued)**Companies Act s172 duty (continued)**

Ardonagh has issued a series of commitments to employees that outline the Group's ambition for a diverse and fair workforce and an inclusive culture. Our colleagues are looking more than ever to hold frank, straightforward conversations on topics such as well-being, diversity and inclusion and our two-way dialogue with our people has been warmly received. Management are taking actions to improve diversity and inclusion and these actions continue an ongoing process, supported by our employee forum that was established in 2020. Actions taken to date include mandatory all-staff unconscious bias training, extensive communications to promote awareness, education and allyship, including celebrating International Women's Day and Pride Month and executive members embracing personal objectives that support diversity and inclusion.

Customers

Seeking good customer outcomes is central to the success of the business. The business undertakes root cause analysis on complaints and errors & omission claims. Management also have in place robust controls regarding the management of actual and potential conflicts of interest. During 2020, our businesses implemented an enhanced conduct risk framework and risk appetite that will support Price Forbes in discharging effective oversight over how well we perform against key customer related metrics and evidence how the customer remains at the heart of our decision making.

Regulatory relationships

The FCA is a key stakeholder and the Board prioritises positive, open and transparent engagement with the FCA and with all our regulatory relationships around the world by ensuring the right 'tone from the top', which starts with how the Board engages with regulators. The Specialty Board receives regular updates on regulatory interactions and FCA guidance and the business impact. The business regularly participate in regulatory thematic reviews and believe that a strong relationship with our regulators is a source of competitive advantage.

Insurers

Our insurance partners are fundamental to the success of the business. Senior leaders regularly meet with our key partners to discuss performance and ways in which we can enhance cover for customers and feedback on our partner relationships are reported to the Board.

Our Suppliers

Our key suppliers are defined by the Group Outsourcing and Procurement Policy which ensures that all key suppliers are identified and subject to appropriate monitoring and engagement, the level of which is dependent on the size and critical nature of the services supplied. We also have minimum due diligence standards to be performed on key suppliers before they are engaged with a requirement that suppliers have policies on CSR, bribery and corruption and modern slavery.

Community

Since the launch of the Group's UK registered charity, Ardonagh Community Trust (ACT) in 2017, significant progress has been made towards its mission of helping local communities become stronger, better and brighter through its community grant programme, match funding the efforts of Ardonagh employees and via the charity partnership with Mind.

ACT's quarterly community grant programme awards projects submitted by employees from across all Ardonagh businesses with up to £5,000 of funding. In 2020, the commitment was made to award more grants as a direct response to the pandemic and donations surpassed the previous year's total with an additional £50,000 awarded.

STRATEGIC REPORT (continued)**Companies Act s172 duty (continued)**

The £133,135 of funding granted across 30 projects helped get PPE to frontline workers outside the health sector, provide shelter from those fleeing domestic violence situations, support those in their final days and their families to cope with their loss, and give vital mental health support to those in need. The commitment is to continue to offer more projects and more funding into 2021 and beyond. Alongside the community grants, ACT boosts the giving of colleagues through match funding of up to £200 (increased to £500 for 2021 and beyond). With social distancing restrictions in place for most of the year and many planned events postponed, colleagues across the Group become more creative with their events. Through the match funding programme, £40,000 was raised for 34 individual charities with ACT contributing a further £14,000.

On top of this contribution, the focus of ACT's annual fundraising event – Go Green Day – was shifted away from fundraising for the charity itself and instead all offices were encouraged to choose a local charity to fundraise for, with ACT matching that amount. Over £146,000, including match funding was donated to 75 different charities across the UK and Ireland – as chosen by Ardonagh colleagues.

ACT has worked closely with Mind since 2018 to raise funds, awareness and reduce the stigma surrounding mental health. With 2020 bringing further challenges and impact on people's mental wellbeing, across The Ardonagh Group various avenues of support, training and resources were delivered to help people cope with the uncertain times. Over 420 colleagues attended mental health awareness sessions and a further 30 were trained as Mental Health First Aiders. Alongside continued education, and additional support, a further £47,000 was raised for ACT's charity partner Mind. The partnership with Mind will be fulfilled in February 2021, with a grand total of £200,000 raised. Reflecting on a challenging year, the commitment to supporting mental health has never been more important. Because of this, our mental health training programme and network of First Aiders will continue to grow alongside a new partnership with a strong commitment to being there for those in need.

In 2021, the Group will establish an ESG strategy that will articulate a clear set of intentions and goals and a scalable framework from which to start measuring milestones that will be reported in the 2021 Group Annual Report.

Principal Risks & Uncertainties

The principal risks and uncertainties are detailed in the directors' report.

The directors do not anticipate any significant change in the Company's activities in the foreseeable future as it will continue to be a broker in insurance and reinsurance markets.

Approved by the Board of Directors on 27th May 2021

and signed on behalf of the Board by



J A Masterton
Chief Executive Officer

DIRECTORS' REPORT

Principal activities

The Company's principal activity during the year continued to be that of acting as a broker in insurance and reinsurance markets. The Company is authorised and regulated by the Financial Conduct Authority. The information that fulfils the Companies Act requirements of the business review is included in the Strategic Report on pages 2 -5. This includes details of the Company's investments and future developments.

Financial Risk Management

A review of the Company's principal risks and uncertainties is included below.

Legal and Regulatory Risk

The Company is exposed to potential claims, litigation and regulatory sanctions arising out of the ordinary course of business relating to alleged errors and omissions, or non-compliance with laws and regulations. These risks are managed through a form of control framework, training, professional indemnity insurance and governance oversight. Management closely monitors changes to other regulatory requirements.

Financial Risk

The Company is exposed to financial risk through its financial assets and liabilities. The components of financial risk are foreign currency, liquidity, interest rate and counter party credit risk. The extent of the exposure to each of these components varies.

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

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

Foreign Currency Risk

The Company's main exposure to foreign currency risk arises from the settlement in foreign currency, principally US Dollars, of brokerage and fees relating to insurance business originating overseas. Transactions denominated in US Dollars form approximately 79% of the Company's revenues. The Company manages this exposure through active treasury management processes, including hedging operations in conjunction with other companies within the group where appropriate.

Liquidity Risk

Fees and commissions are received and withdrawn from insurance trust accounts based on a client money calculation performed in accordance with the Financial Conduct Authority's client money rules (CASS 5). Insurance and Corporate funds are monitored and maintained so as to enable the Company to meet cash settlement requirements as they fall due. The Company holds earmarked funds as part of the wider Ardonagh Group ("the Group") treasury facility through which funding is also provided to the Company.

Interest Rate Risk

The prevailing low interest rates means that the extent of any adverse variance on the Company's results is immaterial.

DIRECTORS' REPORT (continued)***Counter Party Credit Risk***

To minimise this risk the Company has a general policy of not funding payment of claims on behalf of insurers or premiums on behalf of its clients. The Company has established a strict authorisation policy whereby management may in certain circumstances authorise funding with careful monitoring of the resulting exposure to credit risk deriving from insurers and clients in this respect. The Company has appointed a Security Committee which monitors the financial condition of insurers and reinsurers through the use of professional rating agency reports on an ongoing basis.

Client money is spread over a number of approved banks with a minimum required credit rating to mitigate the bank counter party exposure.

Operational Risk

Operational risk is the risk of loss due to factors such as inadequate systems, management failure, inadequate internal controls, fraud and human error. The Company mitigates these risks through systems of internal controls and risk management, internal audit and compliance functions and other measures such as back-up procedures, contingency planning and insurance.

Results and Dividends

The Company's profit for the financial year is £13.7m (2019: profit of £7.5m) and an equivalent amount has been transferred to reserves. During the year no dividend (2019: nil) was paid or proposed to the Company's parent.

Directors

The directors of the Company who were in office during the year and up to the date of signing were:

J A Masterton

A Erotocritou

R L Peers (appointed 23 September 2020)

Directors' Indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Disclosure of Information to Auditor

Following a formal tender process Deloitte LLP was appointed as the Company's auditor during 2018.

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Streamlined Energy and Carbon Reporting (SECR)

As a subsidiary undertaking for the year ended 31 December 2020, the Company has not separately reported its energy and carbon information. Instead, this information has been reported at Group level. Further details can be found in the 2020 Annual Report and Financial Statements of Ardonagh Midco 2 plc, which is published on the Group website.

DIRECTORS' REPORT (continued)**Independent Auditor**

Deloitte LLP, the Company's independent auditor, has expressed its willingness to continue in office. The articles do not require the Company to hold an AGM and so the Board re-appoint Deloitte as part of the accounts approval resolution.

Disabled Employees

The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The Company gives full and fair consideration to applications for employment for disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled the Company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Employee Involvement

The Company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Company is encouraged. This achieves a common awareness of the financial and economic factors affecting the Company and plays a major role in maintaining its competitive positioning and corporate culture. The Company encourages the involvement of employees by means of regular staff forums with management.

From 2021 the Group will monitor its Environmental, Social and Governance (ESG) progress against the Ardonagh Sustainability Charter which will address five key objectives including environmental impact, diversity and inclusion. Further details on the ESG strategy can be found in the 'Ardonagh Group Limited Annual Report'.

The financial statements on pages 10 to 43 were approved by the Board of Directors on 27th May 2021 and signed on behalf of the Board by



J A Masterton
Chief Executive Officer

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland."

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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
PRICE FORBES & PARTNERS LIMITED****REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS****Opinion**

In our opinion the financial statements of Price Forbes and Partners 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 23.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**PRICE FORBES & PARTNERS LIMITED (CONTINUED)****Responsibilities of directors**

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and 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 and IT specialists regarding the opportunities and incentives that may exist within the organisation 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:

- **Manipulation of revenue submission** : As EBITDA is the primary driver for the bonus decisions, there is a risk of manipulation around the submission of revenue based on budget vs actual performance. We have pinpointed the risk to those divisions who have struggled against or exceeded budget throughout the year. We have performed the following:
 - Performed an analysis of the divisional performance regarding revenue actuals v budget throughout the year, to determine any unusual trends in reporting during Q3 and Q4
 - Tested a sample of transactions in the identified divisions processed and reversed in December 2020 and January 2021. For each selection, we inspected the supporting documentation for the policy to understand if the transaction was appropriately processed.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

PRICE FORBES & PARTNERS LIMITED (CONTINUED)

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports, and reviewing correspondence with Financial Conduct Authority.

Report on other legal and regulatory requirements**Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in [the strategic report and] the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report 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.



Andrew Downes, ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP,

Statutory Auditor

London

United Kingdom

27th May 2021

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Note	2020 £'000	2019 (restated) £'000
TURNOVER	2	102,217	88,413
Administrative expenses		(85,160)	(76,505)
Other operating income	3	<u>2,056</u>	<u>2,398</u>
OPERATING PROFIT	4	19,113	14,306
Losses on derivative instruments	9	(255)	(3,562)
Interest payable and similar expenses	5	<u>(931)</u>	<u>(978)</u>
PROFIT BEFORE TAXATION		17,927	9,766
Tax on profit	8	<u>(4,232)</u>	<u>(2,271)</u>
PROFIT FOR THE FINANCIAL YEAR	17	<u><u>13,695</u></u>	<u><u>7,495</u></u>
Other comprehensive income for the year, net of tax		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>13,695</u></u>	<u><u>7,495</u></u>

All activities derive from continuing operations.

Notes from pages 16 - 43 forms part of the financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	31 December 2020 £'000	31 December 2019 (restated) £'000
NON CURRENT ASSETS			
Intangible assets	10	156	1,085
Right of use Assets	11	5,940	7,370
Tangible assets	12	7,113	6,360
Debtors	13	626	2,041
CURRENT ASSETS			
Debtors	13	75,223	57,408
Cash at bank and in hand		<u>138,484</u>	<u>140,082</u>
		213,707	197,490
CURRENT LIABILITIES			
Creditors	14	<u>(179,886)</u>	<u>(180,599)</u>
NET CURRENT ASSETS		<u>33,821</u>	<u>16,891</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		47,656	33,747
PROVISIONS FOR LIABILITIES	15	<u>(1,020)</u>	<u>(1,003)</u>
NET ASSETS		<u><u>46,636</u></u>	<u><u>32,744</u></u>
CAPITAL AND RESERVES			
Called up share capital	16	6,001	6,000
Profit and loss account	17	39,755	26,060
Other reserves	17	<u>880</u>	<u>684</u>
TOTAL SHAREHOLDERS' FUNDS	17	<u><u>46,636</u></u>	<u><u>32,744</u></u>

Notes from pages 16 - 43 forms part of the financial statements.

The financial statements were approved by the board of directors on 27th May 2021 and were signed on its behalf by:



A Erotocritou



J A Masterton

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Called up Share capital £'000	Profit and loss account £'000	Other Reserves £'000	Total share- holders' funds £'000
At 1 January 2020	6,000	26,060	684	32,744
Total comprehensive income for the financial year	-	13,695	196	13,891
Share issue	1	-	-	1
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020	6,001	39,755	880	46,636

	Called up Share capital £'000	Profit and loss account (restated) £'000	Other Reserves £'000	Total share- holders' funds (restated) £'000
At 1 January 2019	6,000	18,565	679	25,244
Total comprehensive income for the financial year	-	7,495	5	7,500
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	6,000	26,060	684	32,744

Notes from pages 16 - 43 forms part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2020****1. ACCOUNTING POLICIES**

Price Forbes & Partners Limited ("the Company") acts as a broker in insurance and reinsurance markets. The Company is a private Company limited by shares and is incorporated in the United Kingdom under the Companies Act 2006 and domiciled in England. The address of its registered office is 2 Minster Court, Mincing Lane, London, United Kingdom, EC3R 7PD.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

(a) Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101').

The financial statements are presented in GBP sterling (£), which is also the Company's functional currency. The financial statements have been prepared on a historical cost basis, as modified to use a different measurement basis where necessary to comply with FRS 101. No amendments to standards and interpretations that are mandatorily effective for annual periods beginning on 1 January 2020 have had a material effect on the Company's financial statements.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

At 31 December 2020, the Company had net assets of £46.6m (2019: £32.7m) and net current assets of £33.8m (2019: £16.9m). The net current assets include amounts receivable from related parties of £37.3m (2019: £4.4m), and amounts due to related parties of £11.2m (2019: £7.7m).

The Company was one of a number of group companies who at 31 December 2020 guaranteed bank and bond debt owed by Ardonagh Midco 2 Plc, an immediate holding company in the group.

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

In making the going concern assessment the Directors have taken into account the following in respect of the Group:

- The change in the Group's capital structure, operations and liquidity following the 14 July 2020 issuance of new borrowings, which the Group used to repay its existing borrowings and to fund acquisitions.
- Adjustments included for the forecast cashflows from the material acquisitions completed at the date of finalisation of the Group's base case budget.
- The principal risks facing the Company and the Group, including the potential financial and operational impacts of covid-19, and its systems of risk management and internal control.
- Actual trading and cashflows that arose in 2020 and the first three months of 2021, which are significantly ahead of prior year and above the 2021 plan.

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

- Following the 14 July 2020 issuance of new borrowings, which the Group used to repay its existing borrowings and to fund acquisitions: (a) the Group will continue to benefit from a £191.5m Revolving Credit Facility that is not drawn at the date of this report, and (b) payment-in-kind interest options are utilised.
- Following the commencement of the main settlement of ETV liabilities during the third quarter of 2019, the Group completes the settlement during the second quarter of 2021.
- Client retention and renewal rates continue to be robust, despite the current economic uncertainty, as the 2020 trading performance has demonstrated resilience across the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

1. ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

- Shortfalls in base case projected income throughout 2021 and 2022.
- Deterioration in base case cash conversion rates over and above the fall in income and a 5% deterioration in the quantum of the estimate of the total ETV redress settlement costs.
- Mitigating actions within management control including delayed capital expenditure, a reduction in discretionary spend and some reduction in employee headcount and remuneration.

Actual trading in 2020 significantly exceeded the prior year going concern stresses and 2019 results.

The Group has additionally modelled reverse stress scenarios, including assessing what triggers would result in a default on our term debt facilities that would require a technical repayment obligation. The stresses needed for this to happen significantly exceed the key stress scenarios above. The Directors consider these extreme stress conditions to be a remote possibility.

Other mitigations which may be possible but have not been included in the above analysis include seeking shareholder support and further incremental and more prolonged cost reductions.

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

- The Group has demonstrated the efficiency and stability of the Group's infrastructure and the ability for home working for a significant portion of our employee base.
- 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.
- Although Covid-19 developments remain fluid, the stress testing demonstrates the Group's financial resilience and operating flexibility.

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

There are no critical accounting judgements made in applying the Company's accounting policies.

However, the Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Following the transition to FRS101 a key estimate is the determination of the discount rate to measure lease liabilities as a present value of lease payments to be made over the lease term. The Company used the group average discount rate of 11.7% until 14 July 2020 and, following changes to the Groups borrowing arrangements, 9.5% thereafter.

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 7 'Financial Instruments: Disclosures';
- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-Based Payments' because the arrangement concerns equity instruments of the Group;

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2020****1. ACCOUNTING POLICIES (continued)**

- 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 Company, 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;
 - 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 Company's consolidated financial statements as required by FRS 101, where exemptions have been applied.

(a) Intangible assets**Customer relationships**

Customer relationship intangible assets are recognised on a business combination because the acquirer is able to benefit from selling future new business through existing relationships. Their fair value is calculated as the sum of the present value of projected cash flows in excess of returns on contributory assets over the life of the relationship with the customers. These assets are amortised on a straight-line basis over their estimated useful lives of between 1 and 10 years, which is estimated by reference to the history of the relationships and levels of attrition.

Internally-generated computer software and assets under construction

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the development of computer software is recognised if, and only if, all the following conditions have been demonstrated:

- the technical feasibility of completing the asset so that it will be available for use or sale;
- the intention to complete the asset and to use or sell it;
- the ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and
- the ability to measure reliably the expenditure attributable to the asset during its development.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

1. ACCOUNTING POLICIES (continued)

(a) Intangible assets (continued)

The fair value of internally-generated computer software acquired on a business combination is calculated by reference to the current cost to recreate the software.

Internally-generated intangible assets are not amortised in the period subsequent to initial recognition but before they are ready for use. Amortisation commences when they are ready for use as intended by management. They are then reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Internally-generated intangible assets are amortised on a straight-line basis over their estimated useful life 4 years.

Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the 'cash generating unit' to which the asset belongs is determined, being the lowest level for which there are separately identifiable cash flows.

Any impairment charges arising from the review of the carrying value of goodwill and intangible assets are, where material, disclosed separately on the face of the consolidated income statement.

(b) Depreciation

Assets are stated at their net book value (historical cost less accumulated depreciation). Depreciation is calculated to write off the cost of such assets on a straight-line basis over their estimated useful lives. At the reporting date, the Company's principal rates of depreciation were as follows:

- Office fixtures - 10.0% per annum straight line basis
- Leasehold improvements - 10.0% per annum straight line basis
- Computer hardware - 20.0% per annum straight line basis
- Computer software - 33.3% per annum straight line basis
- Computer software - Portals - 20.0% per annum straight line basis
- Computer software - Broking system - 10.0% per annum straight line basis

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.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2020****1. ACCOUNTING POLICIES (continued)****(c) 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.

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 non-property leases that are considered to be of low value (i.e. below £5,000). Where the exemption is applied, lease payments on leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Subleases

The Company does not undertake arrangements as a lessor other than as a sublessor. When the Company is a sublessor, it classifies the sublease as a finance lease if the sublease transfers substantially all the risks and rewards incidental to ownership of the asset that is the subject of the sublease, namely the right-of-use asset arising from the head lease. The sublease is otherwise classified as an operating lease.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2020****1. ACCOUNTING POLICIES (continued)****(d) Financial instruments****Recognition and initial measurement**

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

- Transaction costs are added to or deducted from the fair value of the financial asset or financial liability if they are directly attributable to the acquisition of the financial asset or financial liability, respectively, and if the financial asset is measured at fair value through other comprehensive income or if the financial asset or financial liability, respectively, is measured at amortised cost.
- Transaction costs are recognised immediately in profit or loss if they are directly attributable to the issue of a financial asset or financial liability at fair value through profit or loss, or if they are not directly attributable to the issue of a financial asset or financial liability.

Derecognition

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

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

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

Offsetting

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

Classification and subsequent measurement of financial assets

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

- Amortised cost;
- Fair value through other comprehensive income (FVTOCI); or
- Fair value through 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. ACCOUNTING POLICIES (continued)

(d) Financial instruments (continued)**Financial assets classified as amortised cost**

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset 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 (except for certain other receivables measured at FVTPL, see below), advances to related parties, cash and cash equivalents and certain other financial assets.

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.

In certain circumstances, the Company advances premiums, refunds or claims to insurers or clients prior to collection. These advances are reflected in the consolidated statement of financial position as part of trade receivables.

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.

The Company has designated all of its unlisted equity investments as at FVTOCI, because these investments were on initial recognition held as long-term strategic investments that are not expected to be sold in the short to medium term.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. ACCOUNTING POLICIES (continued)

(d) Financial instruments (continued)Financial assets classified as FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment as at FVTOCI on initial recognition.
- Debt instruments (including receivables) that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL.

Financial assets at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss to the extent they are not part of a designated hedging relationship. Interest earned on assets mandatorily required to be measured at FVTPL is recognised using a contractual interest rate. Dividend income from equity instruments measured at FVTPL 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). This is the ex-dividend date for listed equity securities, and usually the date when shareholders approve the dividend for unlisted equity securities.

The Company's Unregulated Collective Investment Scheme (UCIS) assets are classified as FVTPL. These assets do not meet the IFRS 9 'Financial Instruments' criteria for classification as amortised cost or FVTOCI, because their cashflows do not represent solely payments of principal and interest. The Company has not designated any debt investments that meet the amortised cost or FVTOCI criteria as being measured at FVTPL.

Other financial assets measured at FVTPL include receivables recognised on a business combination in relation to the Company's right to variable consideration on rolling contracts with customers for which the performance obligation was satisfied prior to the acquisition. These financial assets are not classified at amortised cost or FVTOCI because their cash flows do not represent solely payments of principal and interest.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income; and
- for all other financial assets that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the other operating costs line item.

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.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2020****1. ACCOUNTING POLICIES (continued)****(d) Financial instruments (continued)**

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. 12 months 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.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2020****1. ACCOUNTING POLICIES (continued)****(d) Financial instruments (continued)****Credit-impaired financial assets**

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession that the lender(s) would not otherwise consider;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of the financial difficulties.

Write-off policy

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.

Classification and subsequent measurement of financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities are classified and measured at FVTPL when 1) the financial liability is deferred consideration, contingent consideration or a share buyout balance 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.

For financial liabilities that are denominated in a foreign currency that are not part of a designated hedging relationship, the foreign exchange gains and losses are recognised in profit or loss.

The Company's financial liabilities include borrowings, trade and other payables, derivatives, deferred consideration, contingent consideration and a share buyout balance.

Borrowings

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

Trade payables

Trade payables are initially recognised at fair value and are subsequently measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. ACCOUNTING POLICIES (continued)

(d) Financial instruments (continued)Derivative financial instruments

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in the hedge accounting note. Movements in the cash flow hedging reserve in shareholders' equity are included in the consolidated statement of changes in equity.

Deferred, consideration contingent consideration and share buyout balance

The Company is party to consideration arrangements in the form of deferred consideration, contingent consideration and a share buyout balance. Deferred consideration represents fixed amounts payable at a specified date in the future. Contingent consideration is consideration that is contingent on the future performance of acquired businesses. Share buyout comprises put options held by minority shareholders of acquired businesses. These liabilities are recognised initially at their discounted present value and are remeasured at each reporting date. The discount unwind and the remeasurement of these liabilities are recognised in profit or loss as finance cost.

Finance income and finance costs

The Company's finance income and finance costs include:

- Interest income
- Interest expense
- Unwind of discount on provisions
- Unwind of discount on financial assets or liabilities, including on lease liabilities and lease receivables
- Unwind of discount and fair value remeasurement of deferred consideration, contingent consideration and the share buyout balance
- The net gain or loss reclassified from other comprehensive income to profit or loss in relation to hedging instruments

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.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2020****1. ACCOUNTING POLICIES (continued)****(e) Provisions for liabilities and charges**

A provision is recognised where there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation.

The amount recognised as a provision is management's best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation.

Where appropriate the Company discounts provisions to their present value. The unwinding of the provision discounting is included as an interest charge within finance costs in the income statement.

(f) 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.

(g) 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.

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 and of when the policy placement has been completed and confirmed.

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

Post-placement performance obligations

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. ACCOUNTING POLICIES (continued)

(g) RevenueVariable consideration

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

- Trading deals – profit share arrangements:

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

Under some of these arrangements (e.g. profit share arrangements), an additional commission is earned from the insurer based on the profit from the underlying book of business or the volume of policies placed. The estimated additional commission is recognised as a contract asset and is reclassified to trade and other receivables when the underlying results are determined. Some of the additional commissions may be provided in advance, in which case they can be subject to a clawback. Advanced commission is recognised as a contract liability until the Company satisfies the underlying performance obligations.

- Cancellation rights:

Some contracts with customers include cancellation rights, whereby the consideration receivable by the Company is subject to a clawback. If no claims are made under the policy, then cancellations usually entitle the policyholder to a proportional refund of the consideration. When the effect is material, the Company adjusts the estimated consideration for the expected clawback based on historical experience of average cancellations and recognises revenue only on the amount that is not expected to be refunded. The Company reassesses at the end of the reporting period whether the estimated clawback needs to be revisited. Amounts that are expected to be refunded for consideration that has been received or invoiced are recognised in trade and other payables.

- Rolling contracts:

Some policies placed by the Company are rolling until the customer cancels the policy. Revenue recognised on rolling contracts (based on the expected consideration net of cancellations) is presented in contract assets until the consideration is invoiced (except where acquired as part of a business combination, in which case it is presented in trade and other receivables as a financial asset measured at fair value).

Other income

Other income includes;

Fair value gains and losses on financial assets at FVTPL that are recognised on a business combination in relation to the Company's right to variable consideration on rolling contracts with customers for which the performance obligation was satisfied prior to the acquisition.

Rent receivable and service charges receivable in respect of sub-let properties.

Profit on termination of leases.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2020****1. ACCOUNTING POLICIES (continued)****(h) 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 one to three months of the reporting period.
- 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.

(i) Employee benefits**Pension costs**

The Company operates a defined contribution pension schemes. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity.

The Company has no legal or constructive obligations to pay further contributions.

The costs of the Company's defined contribution pension schemes are charged to the income statement in the period in which they fall due.

Long-Term Incentive Plans

The Company operates a number of Long Term Incentive Plans (LTIPs), under which the Company receives services from employees as consideration for cash settled incentives which vest over a number of years based on achievement against certain performance measures and/or service conditions. The incentives are earned by participants in the relevant performance and/or service period (the performance period), and in some instances interim payments are made but in all instances participants must then remain in employment for a further period (the clawback period) in order to retain the full value of their pay out.

The Company recognises an expense in respect of LTIPs over the vesting period, which is deemed to commence when the Company makes participants aware of their right to participate in the LTIP and ends on conclusion of the performance period.

Where an LTIP is payable in instalments the Company recognises an expense based on either (i) the staged vesting approach, or (ii) the plan's benefit formula, depending on the specific facts and circumstances of the relevant award. Where benefits are materially higher in later years the expense is recognised on a straight-line basis over the vesting period.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2020****1. ACCOUNTING POLICIES (continued)****(i) Employee benefits (continued)**

At the end of each reporting period the Company revises its estimate of the expected pay out, and it recognises the impact of the revision to the original estimate, if any, in the income statement with a corresponding adjustment to the related provision or prepayment (there will be a prepayment during the clawback period if an interim payment has been made) as relevant.

Share-based payments

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

The shares issued under the schemes generally have no dividend or voting rights and cannot be sold. The shares of an equity-settled share-based payment scheme are normally convertible to ordinary shares of the Company on the occurrence of a crystallisation event, being the earlier of a liquidity event, an Initial Public Offering (IPO) and a winding-up. The Company has the option to repurchase the shares if an employee leaves the Company prior to the occurrence of a crystallisation event.

(i) Foreign currencies

The Company's financial statements are presented in GBP, the Company's presentation currency.

Foreign currency transactions and balances

Foreign currency transactions are converted into the functional currency using the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are converted into sterling using the exchange rate at the reporting date, with differences recognised in profit or loss.

Non-monetary items are not retranslated at the reporting date and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

(k) Taxation**Current tax**

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

Deferred tax

Deferred tax is recognised in respect of taxable temporary differences at the reporting date (except in relation to goodwill or a transaction which is not a business combination and does not affect profit nor taxable profit). Deferred tax assets are only recognised to the extent that it is probable they will be recovered against the reversal of deferred tax liabilities or against future taxable profits.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

1. ACCOUNTING POLICIES (continued)

(k) Taxation (continued)

Deferred tax assets and deferred tax liabilities are only offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and if they relate to income taxes levied by the same taxation authority on the same taxable entity or on different taxable entities which intend to settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously.

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

(l) Dividend distribution

Dividends proposed or declared after the statement of financial position date are not recognised as a liability at the reporting date. Final dividends are recognised as a charge to equity once approved, and interim dividends are recognised once paid.

(m) Application of new and revised International Financial Reporting Standards (IFRS)

Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7

In September 2019, the IASB issued 'Interest Rate Benchmark Reform' (Amendments to IFRS 9, IAS 39 and IFRS 7), which was effective from 1 January 2020. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the ongoing interest rate benchmark reforms. The amendments are relevant to the Company given that it applies hedge accounting to its benchmark interest rate exposures.

The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness is to be recorded in the income statement. The amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

Other standards, amendments to standards and interpretations

Several amendments to standards are mandatorily effective for annual periods beginning on 1 January 2020. None of these had a material effect on the Company's financial statements.

There are no standards, amendments to standards or interpretations which are not yet effective and that are expected to materially impact the Company's financial statements, with one exception. In August 2020, the IASB issued 'Interest Rate Benchmark Reform – Phase 2' (Amendments to IFRS 5, IFRS 7, IFRS 9, IFRS 16 and IAS 39), which is effective from 1 January 2021. These amendments add a practical expedient to enable the impact of IBOR reform on a financial instrument to be accounted for by updating the effective interest rate, they enable and require hedge accounting to continue in circumstances where IBOR reform would otherwise have resulted in the discontinuance of hedge accounting, and they require disclosures about the impact of IBOR reform.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

2. TURNOVER

All turnover and profit before tax arises from insurance broking activities:

	2020 £'000	2019 £'000
Turnover by location of client is split as follows:		
United Kingdom	7,809	8,230
Continental Europe	4,045	2,203
North America	59,929	48,927
Other	30,434	29,053
	<u>102,217</u>	<u>88,413</u>

3. OTHER OPERATING INCOME

	2020 £'000	2019 £'000
On intercompany loans	40	-
Fair value income on intra-group transfer of business	1,433	-
Bank interest receivable	583	2,398
	<u>2,056</u>	<u>2,398</u>

Income earned on monies held as an integral part of the operations of the Company is disclosed within operating income.

4. OPERATING PROFIT

	2020 £'000	2019 restated £'000
Operating profit is stated after charging:		
Depreciation of tangible assets (note 11 and note 12)	2,359	2,688
Amortisation of intangible assets (note 10)	1,457	1,416
Fair value income on transfer of business	(1,433)	-
Amounts receivable by the auditors and their associates in respect of:		
Fees payable to the Company's auditors for the audit of the Company	116	96
Fees payable to the Company's auditors and their associates for other services including:		
Audit-related assurance services	35	33
Tax compliance services	-	-
Tax advisory services	-	-
Total fees payable to the Company's auditors	151	129

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020 £'000	2019 £'000
On leases	<u>931</u>	<u>978</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

6. EMPLOYEES AND STAFF COSTS

	2020 Number	2019 Number
The monthly average number of persons employed by the Company, which includes directors, was:		
Broking and underwriting services	296	287
Claims	29	29
Finance and operations	46	47
Management	6	8
	<u>377</u>	<u>371</u>

The costs incurred in respect of employees were:

	2020 £'000	2019 £'000
Wages and salaries	47,877	41,845
Social security costs	4,596	4,313
Other pension costs	4,943	4,634
	<u>57,416</u>	<u>50,792</u>

7. DIRECTORS

	2020 £'000	2019 £'000
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Remuneration of directors of the Company included in staff cost was as follows:

Emoluments payable	1,167	1,009
Company contributions payable to defined contribution pension scheme	-	-
Compensation for loss of office	-	30

	2020 Number	2019 Number
Number of directors who are members of defined contribution scheme	-	-
Number of directors who exercised options/restricted stock	-	-
Number of directors who were granted shares under the Ardonagh Group management incentive plan	3	-

	2020 £'000	2019 £'000
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In respect of highest paid director:

Emoluments	563	637
Company contributions payable to defined contribution pension scheme	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

8. TAX ON PROFIT

	2020 £'000	2019 £'000
Tax charged in the Statement of Comprehensive Income		
Current taxation		
UK corporation tax	4,126	2,462
UK corporation tax adjustment to prior periods	(16)	7
	<u>4,110</u>	<u>2,469</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	216	(198)
Arising from previously unrecognised tax loss, tax credit or temporary difference o	(71)	-
Effect of tax rate change on opening balance	(23)	-
Total deferred taxation	<u>122</u>	<u>(198)</u>
Tax charge/(credit) in the Statement of Comprehensive Income	<u>4,232</u>	<u>2,271</u>

The differences are reconciled below:

	2020 £'000	2019 £'000
Profit/(Loss) before tax	17,925	9,766
Corporation tax at standard rate of 19% (2018: 19%)	<u>3,406</u>	<u>1,856</u>
Expenses not deductible for tax purposes	324	408
Adjustments to tax charge in respect of previous periods - current tax	(16)	7
Adjustments to tax charge in respect of previous periods - deferred tax	(71)	-
Tax expense relating to changes in tax rates or laws	(23)	-
Deferred tax not recognised	278	-
Fixed asset differences	334	-
Total tax charge	<u>4,232</u>	<u>2,271</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.

The Company has potential deferred tax assets at 31 December 2020 of £277,579 (2019: £nil) in relation to fixed assets totalling £1,042,944 (2019: £nil) and provisions totalling £418,000 (2019: £nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

9. RECONCILIATION OF LOSS ON DERIVATIVE INSTRUMENTS

	2020 £'000	2019 £'000
Fair value transferred 1st January	1,402	(3,081)
Fair value movement during year	(1,657)	(481)
Crystallised loss	(255)	(3,562)

10. INTANGIBLE ASSETS

	2020 £'000	2019 £'000
Cost		
Brought Forward	3,324	1,424
Additions	528	1,900
	<u>3,852</u>	<u>3,324</u>
Accumulated Amortisation		
Brought Forward	2,239	823
Charge for the year	1,457	1,416
	<u>3,696</u>	<u>2,239</u>
Net Book Value	<u>156</u>	<u>1,085</u>

11. RIGHT OF USE ASSETS

	Depreciation			2020	2019
	Cost	B/f	Charge		
Leasehold	8,337	1,338	1,337	5,662	6,999
Computer Hardware	441	70	93	278	371
	<u>8,778</u>	<u>1,408</u>	<u>1,430</u>	<u>5,940</u>	<u>7,370</u>

12. TANGIBLE ASSETS

	Leasehold Improvements	Office Fixtures	Computer Hardware (restated)	Computer Software	Computer Software Portals	Computer Software Broking System	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
Brought Forward	3,304	962	374	1,674	338	3,392	10,044
Additions	-	-	56	1,361	-	264	1,681
At 31 December 2020	<u>3,304</u>	<u>962</u>	<u>430</u>	<u>3,035</u>	<u>338</u>	<u>3,656</u>	<u>11,725</u>
Accumulated depreciation							
Brought Forward	1,339	422	322	858	213	530	3,684
Charge for the year	330	89	51	28	68	362	928
At 31 December 2020	<u>1,669</u>	<u>511</u>	<u>373</u>	<u>886</u>	<u>281</u>	<u>892</u>	<u>4,612</u>
Net book value							
At 31 December 2020	<u>1,635</u>	<u>451</u>	<u>57</u>	<u>2,149</u>	<u>57</u>	<u>2,764</u>	<u>7,113</u>
At 31 December 2019	<u>1,965</u>	<u>540</u>	<u>52</u>	<u>816</u>	<u>125</u>	<u>2,862</u>	<u>6,360</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

13. DEBTORS

	2020 £'000	2019 restated £'000
Due within one year:		
Insurance debtors	28,764	41,314
Other debtors	4,693	6,898
Deferred tax asset	-	119
Amounts due from group undertaking (unsecured, interest-free)	37,343	4,458
Other Assets IFRS15	2,850	2,679
Prepayments and accrued income	1,573	1,940
	<u>75,223</u>	<u>57,408</u>
Due after one year:		
Other debtors	-	1,255
Contract Assets IFRS15	345	561
Insurance debtors	281	225
	<u>626</u>	<u>2,041</u>

14. CREDITORS

	2020 £'000	2019 restated £'000
Due within one year:		
Insurance Creditors	139,549	153,308
Corporation Tax	4,838	681
Other taxation	1,725	1,896
Amounts owed to group undertaking (unsecured, interest-free)	11,161	7,740
Accruals and deferred income	15,186	9,480
Contract Liabilities IFRS15	249	147
Lease liability	2,295	728
	<u>175,003</u>	<u>173,980</u>
Payable after one year:		
Lease liability	4,883	6,619
	<u>179,886</u>	<u>180,599</u>

15. PROVISIONS FOR LIABILITIES

	Dilapidations £'000	Errors & Omissions £'000	Holiday Provision £'000	Total £'000
Balance Brought Forward	418	233	352	1,003
Charge/Utilised for the year	-	(233)	250	17
At 31 December 2020	<u>418</u>	<u>-</u>	<u>602</u>	<u>1,020</u>

Provisions are made up of three components;

- The Company is subject to claims and litigation in the ordinary course of business resulting principally from alleged errors and omissions. Although all claims are defended vigorously, a charge is made within the accounts, net of any anticipated insurance recoveries, in respect of provisions made for potential liabilities including expenses that are deemed more likely than not to arise in respect of potential claims and litigation notified to the Company at the date of these financial statements. Claims may arise several years after the original events which could be the subject of dispute.

- The Company recognises a provision for the estimated cost for dilapidations that may become payable under the terms of current leasehold property contracts at the end of the lease. The costs are accrued over the life of the lease being reassessed each year.

- The Company recognises a provision for the estimated cost of holiday entitlement carried forward into the next financial year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

16. CALLED UP SHARE CAPITAL

	2020 £'000	2019 £'000
Authorised share capital:		
100,000,000 ordinary shares of 10p each	10,000	10,000
Allotted, called up and fully paid		
60,000,000 (2019: 60,000,000) ordinary shares of 10p each		
10,000 G1 shares of 1p each were issued in 2019		
10,000 G3 shares of 1p each were issued in 2019		
10,000 G2 shares of 1p each were issued in 2020		
10,000 G4 shares of 1p each were issued in 2020		
10,000 G5 shares of 1p each were issued in 2020		
10,000 G6 shares of 1p each were issued in 2020		
	6,001	6,000

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Called up Share capital £'000	Profit and loss account (restated) £'000	Other Reserves £'000	Total share- holders' funds (restated) £'000
Balance Brought Forward	6,000	26,060	684	32,744
Movement for the financial year	1	13,695	196	13,892
At 31 December 2020	6,001	39,755	880	46,636
At 31 December 2019	6,000	26,060	684	32,744

Other reserves are in respect of a capital contribution provision required due to share based payment schemes (see note 20).

18. (a) Lease commitments

The following table provides a maturity analysis of the Company's undiscounted lease liability

	Operating Land and buildings 2020 £'000	Finance Laptops 2020 £'000	Operating Land and buildings 2019 £'000	Finance Laptops 2018 £'000
Within one year	2,221	122	683	122
In two to five years	6,663	245	8,884	367
Over five years	-	-	-	-

The Company makes rental payments on behalf of another group company which are reimbursed in full.

NOTES TO THE FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****18. (b) Off-balance sheet arrangements**

On 14 July 2020, the Group issued new borrowings, with Ardonagh Midco 2 Plc issuing \$500.0m payment-in-kind (PIK) toggle notes due 2027, and Ardonagh Midco 3 Plc entering into a privately placed term loan facility due 2026 of £1.575 billion comprising £1.413 billion denominated in pound sterling and €180.0m denominated in euro. A £300.0m Capex, Acquisition and Re-organisation (CAR) facility due 2026 and a £191.5m revolving credit facility (RCF) due 2026 were also issued on 14 July 2020. On 22 October 2020, £50.0m was drawn on the CAR facility to fund acquisitions, which left £250.0m of the CAR facility still available at 31 December 2020 and a further £150.0m has since been drawn to fund further acquisitions at the date of this report. The RCF is not drawn at the date of this report.

The Group utilised the new borrowings to repay its existing borrowings, the repayment of which released Ardonagh Midco 3 plc from its obligations under those borrowings, including the existing RCF, and the Group then issued 8.375% and 8.625% notes, which were guaranteed and secured by Ardonagh Midco 2 plc, the immediate parent company of Ardonagh Midco 3 plc, and by all its material and certain other subsidiaries. The settlement of the existing borrowings resulted in an early repayment charge of £49.3m.

On 5 October 2018, a letter of credit of £50.0m was issued for the benefit of specified entities within the Group solely to provide credit support in respect of potential redress liabilities relating to the sale of certain enhanced transfer value (ETV) products. This letter of credit facility was reduced to £28.0m on 8 September 2020 as a result of outstanding ETV liabilities having reduced as ETV settlements have been made. See note 31 for further information relating to ETV redress liabilities.

On 1 October 2020, the Group entered into a binding commitment to grant a loan facility on arm's length commercial terms of up to £13.0m and associated commitments to a related party of the Group to fund a business combination to be made by that related party. This loan facility was granted subsequently on 23 February 2021.

The follow list of companies are those Group companies that are the Guarantors under both the £1.575 billion Senior Facilities Agreement and the \$500m Senior Unsecured Notes:

Arachas Corporate Brokers Limited
Ardonagh Midco 3 Plc (Issuer of the private debt; only a guarantor under the \$500m public notes)
Ardonagh Advisory Holdings Limited
Ardonagh Finco Plc
Ardonagh Services Limited
Ardonagh Specialty Holdings Limited
Atlanta 1 Insurance Services Limited
Bishopsgate Insurance Brokers Limited
Bravo Investment Holdings 3 Limited
Bravo Investment Holdings 4 Limited
Carole Nash Insurance Consultants Limited
Finch Commercial Insurance Brokers Ltd
Geo Underwriting Services Limited
Hawkwood Investment Holdings Limited
Health and Protection Solutions Limited
Paymentshield Limited
Price Forbes & Partners Limited
Swinton Group Limited
The Broker Network Limited
Towergate Underwriting Group Limited
URIS Group Limited
Verulam Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****19. CONTINGENT LIABILITIES**

The Company is subject to potential claims and litigation arising out of the ordinary course of business. Any such claims are vigorously defended. On the facts known to the directors, the directors do not believe that any material losses will be incurred.

20. PENSION COMMITMENT

The Company operates a defined contribution pension scheme on a money purchase basis for all the employees. The scheme funds are administered independently of the Company's finances. The Company's contributions are charged to the profit and loss account in the year in which they are made and are set out in Note 6 above. At 31 December 2020 nil (2019 - nil) was owed to the scheme.

21. SHARE INCENTIVE PLANS

During 2020 there was an immaterial charge regarding The Ardonagh Group Limited share based payments scheme for individuals employed by the Company.

22. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's controlling party is HPS Investment Partners LLC. At 31 December 2020 the ultimate parent company was The Ardonagh Group Limited (incorporated in Jersey, registered office address, 3rd Floor, 47 Esplanade, St Helier, Jersey, JE4 9WG) and is the largest group in which the results are consolidated. Ardonagh Midco 2 Limited (incorporated in United Kingdom, registered office address, 2 Minster Court, London, England. EC3R 7PD) is the smallest group in which the results are consolidated. The financial statements for the companies noted above are available upon request from 2 Minster Court, Mincing Lane, London. EC3R 7PD.

NOTES TO THE FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****23. TRANSITION TO 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 summary of significant accounting policies.

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.

Reconciliation of equity as at 1 January 2019 (date of transition to FRS 101)

	FRS 102 £,000	Transition adjustments £,000	FRS 101 £,000
NON CURRENT ASSETS			
Intangible assets	601	-	601
Right of use assets	-	8,337	8,337
Tangible assets	6,250	-	6,250
Debtors	-	1,996	1,996
CURRENT ASSETS			
Debtors	55,421	1,034	56,455
Cash at bank and in hand	154,009	-	154,009
	<u>209,430</u>	<u>1,034</u>	<u>210,464</u>
CURRENT LIABILITIES			
Creditors	(190,262)	(9,030)	(199,292)
NET CURRENT ASSETS	<u>19,168</u>	<u>(7,996)</u>	<u>11,172</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>26,019</u>	<u>2,336</u>	<u>28,355</u>
PROVISIONS FOR LIABILITIES	<u>(3,112)</u>	<u>-</u>	<u>(3,112)</u>
NET ASSETS	<u>22,907</u>	<u>2,336</u>	<u>25,243</u>
CAPITAL AND RESERVES			
Called up share capital	6,000	-	6,000
Profit and loss account	16,228	2,336	18,565
Other reserves	679	-	679
TOTAL SHAREHOLDERS' FUNDS	<u>22,907</u>	<u>2,336</u>	<u>25,244</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

23. TRANSITION TO FRS 101 (continued)

Reconciliation of equity as at 31 December 2019

	FRS 102 £,000	Transition adjustments £,000	FRS 101 £,000
NON CURRENT ASSETS			
Intangible assets	1,085	-	1,085
Right of use assets	-	7,370	7,370
Tangible assets	6,778	(418)	6,360
Debtors	-	2,041	2,041
CURRENT ASSETS			
Debtors	56,209	1,199	57,408
Cash at bank and in hand	140,082	-	140,082
	<u>196,291</u>	<u>1,199</u>	<u>197,490</u>
CURRENT LIABILITIES			
Creditors	(172,695)	(7,904)	(180,599)
NET CURRENT ASSETS	<u>23,596</u>	<u>(6,705)</u>	<u>16,891</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	31,459	2,288	33,747
PROVISIONS FOR LIABILITIES	<u>(1,003)</u>	<u>-</u>	<u>(1,003)</u>
NET ASSETS	<u>30,456</u>	<u>2,288</u>	<u>32,744</u>
CAPITAL AND RESERVES			
Called up share capital	6,000	-	6,000
Profit and loss account	23,772	2,288	26,060
Other reserves	684	-	684
TOTAL SHAREHOLDERS' FUNDS	<u>30,456</u>	<u>2,288</u>	<u>32,744</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****23. TRANSITION TO FRS 101 (continued)**

Reconciliation of total comprehensive income for the year ended 31 December 2019

	FRS 102 £,000	Transition adjustments £,000	FRS 101 £,000
TURNOVER	88,413	-	88,413
Administrative expenses	(77,415)	910	(76,505)
Other operating income	2,398	-	2,398
OPERATING PROFIT	13,396	910	14,306
Losses on derivative instruments	(3,562)	-	(3,562)
Interest payable and similar expenses	(8)	(970)	(978)
PROFIT BEFORE TAXATION	9,826	(60)	9,766
Tax on profit	(2,282)	11	(2,271)
PROFIT FOR THE FINANCIAL YEAR	7,544	(48)	7,495
Other comprehensive income for the year, net of tax	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	7,544	(48)	7,495

Details of the adjustments are shown on the next page, which are due to the following;

(a) Leases

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 at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments and dilapidation provisions relating to that lease that were recognised in the statement of financial position immediately prior to 1 January 2019.

(b) Debtors over 1 year previously included in current assets were moved to non current assets.**(c) Post Placement obligations**

The Company has recognised profit commission accrued to contract assets, deferred placement and post placement expenditure to other assets and has deferred a suitable proportion of post placement income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. TRANSITION TO FRS 101 (continued)

Summary of transition adjustments

1.1.2019

	Right of use assets	Tangible Assets	Non Current Assets Debtors	Current Assets Debtors	Current Liabilities Creditors	Profit & Loss Account
a) IFRS16 Minster Court leasehold	8,337				(8,337)	
b) Transfer of debtors > 1 year to non current debtors						
Other debtors			1,255	(1,255)		
Insurance debtors			180	(180)		
c) IFRS 15 implementation						
Contract assets > 1 yr			562			562
Other assets < 1 yr				2,468		2,468
Contract liabilities < 1 yr					(147)	(147)
Current tax on transition					(547)	(547)
Balance sheet restatement	8,337	-	1,996	1,034	(9,030)	2,336

31.12.2019

	Right of use assets	Tangible Assets	Non Current Assets Debtors	Current Assets Debtors	Current Liabilities Creditors	Profit & Loss Account
a) IFRS16 Minster Court leasehold	6,999					
IFRS16 laptops	370	(418)				
Total Right of use assets	7,370	(418)			(7,222)	(270)
b) Transfer of debtors > 1 year to non current debtors						
Other debtors			1,255	(1,255)		
Insurance debtors			225	(225)		
c) IFRS 15 implementation						
Contract assets > 1 yr			562			562
Other assets < 1 yr				2,679		2,679
Contract liabilities < 1 yr					(147)	(147)
Current tax on transition					(535)	(535)
Balance sheet restatement	7,370	(418)	2,041	1,199	(7,904)	2,288