

Registration number: 10679958

# Ardonagh Midco 2 Plc

Annual Report and Financial Statements

for the Year Ended 31 December 2019



## **Ardonagh Midco 2 Plc**

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## **Ardonagh Midco 2 Plc**

### **Company Information**

<b>Directors</b>	C Bouch
	P N Butler
	V A Dombalagian
	S French
	J I Tiner
	D Cougill
	D C Ross
<b>Company secretary</b>	D Clarke
<b>Registered office</b>	4th Floor 1 Minster Court Mincing Lane London EC3R 7AA
<b>Auditor</b>	Deloitte LLP 1 New Street Square London EC4A 3HQ

## **Ardonagh Midco 2 Plc**

### **Strategic Report for the Year Ended 31 December 2019**

The directors present their strategic report for the year ended 31 December 2019 for Ardonagh Midco 2 Plc ("the Company"). The Strategic Report provides a review of the business for the financial year and describes how the directors manage risks. The report outlines the performance of the Company during the financial year and its position at the end of the year. The report discusses the developments that have affected the Company and the main trends and factors that could affect its future. The Company is part of The Ardonagh Group Limited ("the Group").

#### **Principal activities and business review**

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

The results for the Company show turnover of £Nil (2018: £Nil) and profit before tax of £Nil (2018: £Nil) for the year. At 31 December 2019 the Company had net assets of £587.4m (2018: £520.5m). The going concern note (part of accounting policies) on page 14 sets out the reasons why the directors continue to believe that the preparation of the financial statements on a going concern basis is appropriate.

On 31 January 2019, The Ardonagh Group Limited acquired Nevada Investments Holdings 2 Limited, ('Nevada2'), and its associated subsidiaries. Following the acquisition, ownership was transferred down the Group which gave rise to investment additions and a disposal in the year. Refer to note 7 for further details.

#### **Outlook**

The directors do not expect there to be any changes in the nature of the business in 2020.

The unprecedented and rapidly evolving nature of the global COVID-19 pandemic (including the short-term and long-term effects thereof) creates unprecedented and extraordinary uncertainties for most businesses including Ardonagh Midco 1 Limited. Consideration of the financial risk and future impact can be found in the 'Going concern' disclosure in note 2.

#### **Key performance indicators**

The directors of Ardonagh manage the Group's operations on a segmental basis. For this reason, the Company's directors believe that a separate analysis for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business. The development, performance and position of the Group which includes this Company is discussed in the Group's annual report.

The key performance indicator for this Company is the carrying value of its subsidiaries, as these are the main assets of the Company. The performance of the subsidiaries undertaking will determine whether an impairment to the carrying value is required and this is tested on a regular basis.

There were no impairment charges for the current year end.

#### **Principal risks and uncertainties**


The Company's performance and value, as a holding company of the Group, is integrated with its investment in the Company's subsidiaries. As such from the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are managed separately. Accordingly, the principal risks and uncertainties are discussed in the Group's annual report.

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

**Ardonagh Midco 2 Plc**

**Strategic Report for the Year Ended 31 December 2019**

Approved by the Board on 6 May 2020 and signed on its behalf by:

  
.....  
D Cougill  
Director

## **Ardonagh Midco 2 Plc**

### **Directors' Report for the Year Ended 31 December 2019**

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

#### **Directors of the Company**

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

C Bouch

P N Butler

C E Dandridge (resigned 11 June 2019)

V A Dombalagian

S French

F Mackle (resigned 11 June 2019)

J I Tiner

M Y A Boulanger (resigned 11 June 2019)

A Cusaro (resigned 11 June 2019)

M W Raino (resigned 11 June 2019)

D Cougill

D C Ross

#### **Dividends**

The directors do not recommend a final dividend payment to be made in respect of the financial year ended 31 December 2019 (2018: £Nil).

#### **Financial risk management objectives and policies**

Details of financial risk management objectives and policies can be found in the Strategic Report within the 'Principal risks and uncertainties' section on page 2.

#### **Future developments**

Details of future developments can be found in the Strategic Report within the 'Outlook' section on page 2.

#### **Political donations**

The Company has not made any political donations during the year (2018: £Nil).

#### **Going concern**

The Company's business activities, together with the factors likely to affect its future development are described in the Strategic Report on page 2. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 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. Further details of this assessment can be found in note 2 to these financial statements.

#### **Directors' liabilities**

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

## **Ardonagh Midco 2 Plc**

### **Directors' Report for the Year Ended 31 December 2019 (continued)**

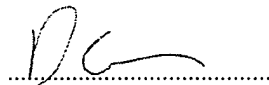
#### **Disclosure of information to the auditor**

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

#### **Reappointment of auditor**

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

Approved by the Board on 6 May 2020 and signed on its behalf by:



D Cougill  
Director

## **Ardonagh Midco 2 Plc**

### **Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements**

The directors are responsible for preparing the Strategic Report, the Directors' 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 Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101").

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

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has 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 to disclose with reasonable accuracy at any time the financial position of the Company and to 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.



## **Ardonagh Midco 2 Plc**

### **Independent Auditor's Report to the Members of Ardonagh Midco 2 Plc**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion the financial statements of Ardonagh Midco 2 Plc (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its results 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 13;

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

##### **Basis for opinion**

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

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

##### **Conclusions relating to going concern**

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

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

We have nothing to report in respect of these matters.

##### **Other information**

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

## **Ardonagh Midco 2 Plc**

### **Independent Auditor's Report to the Members of Ardonagh Midco 2 Plc (continued)**

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

We have nothing to report in this regard.

#### **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements [set out on page 6], 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 Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Report on other legal and regulatory requirements**

##### **Opinion on other matter prescribed by the Companies Act 2006**

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

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

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

## **Ardonagh Midco 2 Plc**

### **Independent Auditor's Report to the Members of Ardonagh Midco 2 Plc (continued)**

#### **Matters on which we are required to report by exception**

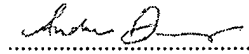
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

#### **Use of our report**

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



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

6 May 2020

## Ardonagh Midco 2 Plc

### Statement of Comprehensive Income for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Commission and fees		-	-
Operating results	4	-	-
Results before tax		-	-
Tax credit/(expense)		-	-
Results for the year		-	-

During the financial year and preceding financial year, the Company did not trade and received no income and incurred no expenditure. Consequently, during these years the Company made neither a profit nor a loss.

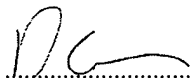
# Ardonagh Midco 2 Plc

(Registration number: 10679958)

## Statement of Financial Position as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
<b>Non-current assets</b>			
Investments in subsidiary undertakings	7	587,446	520,446
<b>Current assets</b>			
Trade and other receivables	8	<u>50</u>	<u>50</u>
		50	50
<b>Current liabilities</b>			
Trade and other payables	10	<u>50</u>	<u>50</u>
<b>Net assets</b>		<u><u>587,446</u></u>	<u><u>520,446</u></u>
<b>Capital and reserves</b>			
Share capital	9	587,235	520,235
Share premium		121,876	121,876
Capital contribution		211	211
Other reserves		<u>(121,876)</u>	<u>(121,876)</u>
<b>Total equity</b>		<u><u>587,446</u></u>	<u><u>520,446</u></u>

Approved by the Board on 6 May 2020 and signed on its behalf by:

  
 .....  
 D Cougill  
 Director

The notes on pages 13 to 20 form an integral part of these financial statements.

## Ardonagh Midco 2 Plc

### Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £ 000	Share premium £ 000	Capital contribution £ 000	Other reserves £ 000	Total £ 000
At 1 January 2019	520,235	121,876	211	(121,876)	520,446
New share capital subscribed	<u>67,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,000</u>
At 31 December 2019	<u>587,235</u>	<u>121,876</u>	<u>211</u>	<u>(121,876)</u>	<u>587,446</u>

On 5 February 2019, 6.7bn ordinary shares having a nominal value of £0.01 each were allotted for an aggregate consideration of £67.0m. These were issued as part of the Nevada 2 acquisition, see note 7 for further details.

Other reserves relate to merger relief which arose due to a Group re-organisation and the interaction between the Companies Act 2006 and FRS 101 requirements.

The capital contribution reserve relates to share-based payments made under the Management Incentive Plan.

	Share capital £ 000	Share premium £ 000	Capital contribution £ 000	Other reserves £ 000	Total £ 000
At 1 January 2018	520,235	121,876	-	(121,876)	520,235
Capital contribution - share-based payment	<u>-</u>	<u>-</u>	<u>211</u>	<u>-</u>	<u>211</u>
At 31 December 2018	<u>520,235</u>	<u>121,876</u>	<u>211</u>	<u>(121,876)</u>	<u>520,446</u>

## **Ardonagh Midco 2 Plc**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

#### **1 General information**

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

These financial statements for the year ended 31 December 2019 were authorised for issue by the Board on 6 May 2020 and the Statement of Financial Position was signed on the board's behalf by D Coughill.

#### **2 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **Basis of preparation**

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

The Company is a wholly owned subsidiary of The Ardonagh Group Limited and so has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group financial statements. Its results are included in the consolidated financial statements of its ultimate parent.

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.

The adoption of IFRS 16, several amendments to standards and an interpretation are mandatorily effective for annual periods beginning on 1 January 2019. None of these had a material effect on the Company's financial statements.

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

##### **FRS 101 disclosure exemptions**

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

In these financial statements, the Company has taken advantage of the following disclosure exemptions under 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 Payment concerning details of the number and weighted average exercise price of share options and how the fair value of goods or services received was determined;

## Ardonagh Midco 2 Plc

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 2 Accounting policies (continued)

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

#### Going concern

As shown in account note 12, the Company is a member of a group ("the Group") of which The Ardonagh Group Limited ("TAGL") is the ultimate parent company and the highest level at which results are consolidated.

The financial statements of the Company have been prepared on a going concern basis. At 31 December 2019 the Company had net assets of £587.4m (2018: £520.4m) and net current assets of £Nil (2018: £Nil). The net assets include amounts receivable from related parties of £0.1m (2018: £0.1m), and amounts due to related parties of £0.1m (2018: £0.1m). The Company was one of Group companies who at 31 December 2019 guaranteed bank and bond debt owed by Ardonagh Midco 3 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:

- The current capital structure and liquidity of the Company and the Group, as well as the assessment that the Group continues to be a going concern.
- The Group manages its cash and funding requirements on a Group-wide basis.
- The source of funding of the Group includes £1.1 billion of debt in the form of Senior Secured Notes with a maturity date of July 2023 to which the Company is a guarantor along with the other significant subsidiaries in the Group. The guarantor obligations are joint and several obligations of all of the guarantors and this means that when there is a requirement to repay the borrowed funds, the lender may also call upon the guarantors as a whole, as well as each of them severally, to do so.
- The principal risks facing the Company and the Group, including the potential financial and operational impacts of COVID-19, and its systems of risk management and internal control.
- The Group has assessed that it has sufficient liquidity to withstand a period of potential poor trading resulting from a sustained impact of COVID-19. The Group had available liquidity of £181.7m at 31 December 2019 and closely monitors available liquidity on an ongoing basis.
- The Group is largely insulated from currency FX volatility.
- The Group has access to a Revolving Credit Facility ("the Group's RCF"). The Group's RCF facility capacity is £170m, of which £70m was drawn at 22 April 2020 (the date of TAGL's financial statements for the year ended 31 December 2019). Permissible RCF drawings are limited by the Group's credit facility basket.



## **Ardonagh Midco 2 Plc**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **2 Accounting policies (continued)**

Key stress scenarios that TAGL considered as part of its 2019 Going Concern assessment include cumulative stresses to the Group's base plan of a net reduction in cashflow of over £100m in 2020 and further reductions in 2021. TAGL's 2019 Going Concern stress testing indicated that revenues would need to decline by up to 30% compared to base case in the 7 quarters from Q2 2020, offset by certain discretionary cost cuts and headcount reductions but assuming that the cost base does not reduce at the same speed as revenue to reach the Group's liquidity limits. The directors of TAGL considered these stress conditions to be a remote scenario.

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

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

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

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

#### **Investments in subsidiary**

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

#### **Financial assets**

The Company's financial assets include intragroup receivables. They are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortised cost. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

#### **Financial liabilities**

Financial liabilities are initially measured at fair value plus directly attributable transaction costs. The Company's financial liabilities include trade and other payables. Trade and other payables represent amounts due to other Group companies. They are initially recognised at fair value and are subsequently measured at amortised cost.

#### **Share capital**

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

## **Ardonagh Midco 2 Plc**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **3 Critical accounting judgements and key sources of estimation uncertainty**

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

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

##### *Impairment of investments*

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

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

#### **4 Operating profit/(loss)**

The audit fee of £4,413 (2018: £4,284) for the audit of the Company was paid by other group entities for which no recharge was made.

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

#### **5 Staff costs**

The Company had no employees in the current year. All administration is performed by employees of the Group, for which no recharge is made to the Company.

#### **6 Directors' remuneration**

The emoluments of all directors are paid by other Group companies, which make no recharge to the Company. These directors are directors of The Ardonagh Group Limited and/or other fellow subsidiaries. Their total emoluments are included in the consolidated financial statements of The Ardonagh Group Limited.

## Ardonagh Midco 2 Plc

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 7 Investments in subsidiary undertakings

Subsidiaries	£ 000
<b>Cost or valuation</b>	
At 1 January 2019	520,446
Additions	134,000
Disposals	<u>(67,000)</u>
At 31 December 2019	<u>587,446</u>
<b>Carrying amount</b>	
At 31 December 2019	<u>587,446</u>
At 31 December 2018	<u>520,446</u>

The Group completed the acquisition of the Nevada 2 businesses on 31 January 2019. Following the initial purchase by The Ardonagh Group Limited, ownership was transferred down the Group through contributions.

On 5 February 2019, Ardonagh Midco 1 Plc (the direct parent company), contributed Nevada Investments Holdings 2 Ltd to the Company in exchange for £67.0m shares in Ardonagh Midco 2 Plc.

On the same day, the Company disposed of its investment of £67.0m in Nevada 2 to Ardonagh Midco 3 Plc in exchange for £67.0m shares.

Details of the subsidiary as at 31 December 2019 are as follows.

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2019	2018
Ardonagh Midco 3 Plc	Holding company	England and Wales	100%	100%

The registered office for Ardonagh Midco 3 Plc is: 4th Floor, 1 Minster Court, Mincing Lane, London, EC3R 7AA.

There is no provision for impairment for this year. Subsequently, the carrying amount for this investment at 31 December 2019 is £587.4m. The recoverable amount of this subsidiary is based on Fair Value less Costs of Disposal.

## Ardonagh Midco 2 Plc

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 8 Trade and other receivables

	2019 £ 000	2018 £ 000
<b>Current trade and other receivables</b>		
Receivables from other Group companies	<u>50</u>	<u>50</u>

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

#### 9 Share capital

	2019		2018	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £0.01 each	58,723,520	587,235	52,023,520	520,235

##### New shares allotted

During the year £6.7bn Ordinary shares having an aggregate nominal value of £67.0m were allotted for an aggregate consideration of £67.0m.

#### 10 Trade and other payables

	2019 £ 000	2018 £ 000
<b>Current trade and other payables</b>		
Amounts due to other Group companies	<u>50</u>	<u>50</u>

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

## **Ardonagh Midco 2 Plc**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **11 Commitments**

##### **Guarantees**

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

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

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

On 18 June 2018, Ardonagh Midco 3 plc issued an additional £98.3m of 8.375% Senior Secured Notes which are fungible with the existing GBP Senior Secured Notes issued on 20 June 2017 and 20 December 2017.

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

On 19 November 2018 USD235m additional 8.625% Senior Secured Notes were issued.

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

These subsidiaries are listed below:

Ardonagh Midco 3 plc (RCF Guarantor only)	Ardonagh Midco 2 plc
Nevada Investment Holdings 5 Limited	Morgan Law Limited
Nevada Investment Holdings 6 Limited	Paymentshield Group Holdings Limited
Nevada Investment Holdings 7 Limited	Paymentshield Holdings Limited
Nevada Investments TopCo Limited	Paymentshield Limited
Nevada Investments Holdings Limited	Paymentshield Services Limited
Nevada InvestorCo Limited	Ardonagh Finco Plc
Nevada Investments 1 Limited	Ardonagh Services Limited
Nevada Investments 2 Limited	Towergate Risk Solutions Limited
Nevada Investments 3 Limited	Towergate Underwriting Group Limited
Nevada Investments 4 Limited	PFIH Limited

## Ardonagh Midco 2 Plc

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 11 Commitments (continued)

Nevada Investments 5 Limited	Price Forbes & Partners Limited
Nevada Investments 6 Limited	Price Forbes Holdings Limited
Nevada Investments 7 Limited	URIS Group Limited
Arista Insurance Limited	Millennium Insurance Brokers Limited
Broker Network Holdings Limited	URIS Central Administration Limited
CCV Risk Solutions Limited	URIS Topco Limited
Cullum Capital Ventures Limited	Chase Templeton Group Limited
Four Counties Insurance Brokers Limited	Chase Templeton Holdings Limited
Geo Specialty Group Holdings Limited	Chase Templeton Limited
Geo Underwriting Services Limited	Ardonagh Advisory Holdings Limited
Lunar 101 Limited	Ardonagh Specialty Holdings Limited
Bishopsgate Insurance Brokers Limited	Atlanta Investment Holdings Limited
Swinton Group Limited	Atlanta Investment Holdings A Limited
Swinton (Holdings) Limited	Atlanta 1 Insurance Services Limited
Swinton Properties Limited	Carole Nash Insurance Consultants Limited
KDB Medicals Limited	Health and Protection Solutions Limited (became an additional guarantor on 31 July 2019)

#### 12 Parent and ultimate parent undertaking

The Group's majority shareholder and ultimate controlling party at 31 December 2019 is HPS Investment Partners LLC. The parent company of the largest group that prepares group financial statements at 31 December 2019 that consolidate the Company is The Ardonagh Group Limited (incorporated in Jersey, registered office address 3rd Floor, 44 Esplanade, St Helier, Jersey JE4 9WG). The parent company of the smallest group that prepares group financial statements at 31 December 2019 that consolidate the Company is Ardonagh Midco 3 plc (incorporated in Great Britain, registered office address 1 Minster Court, London, EC3R 7AA). Financial statements for The Ardonagh Group Limited and Ardonagh Midco 3 plc are available on request from:

1 Minster Court  
Mincing Lane  
London  
EC3R 7AA

#### 13 Subsequent events

The directors have considered the guidance of the UK Financial Reporting Council and events relating to the spread of coronavirus (COVID-19) and have treated this as a non-adjusting subsequent event in these financial statements. The COVID-19 pandemic is an evolving situation and as such, the local and global economic impact is currently unknown. The 'Going concern' assessment in note 2 considers the risk of COVID-19 to the Group's trading and liquidity.