

Registration number: 10735273

# Nevada Investorco Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019



## **Nevada Investorco Limited**

### **Contents**

|  |          |
|--|----------|
| Company Information  | 1        |
| Strategic Report   | 2 to 4   |
| Directors' Report  | 5 to 6   |
| Statement of Directors' Responsibilities                                 | 7        |
| Independent Auditor's Report to the members of Nevada Investorco Limited | 8 to 10  |
| Statement of Comprehensive Income  | 11       |
| Statement of Financial Position  | 12       |
| Statement of Changes in Equity   | 13       |
| Notes to the Financial Statements  | 14 to 24 |

## **Nevada Investorco Limited**

### **Company Information**

|                          |   |
|--------------------------|---|
| <b>Directors</b>         | D C Ross<br>D Cougill   |
| <b>Company secretary</b> | D Clarke  |
| <b>Registered office</b> | 2 Minster Court<br>Mincing Lane<br>London<br>EC3R 7PD<br>United Kingdom     |
| <b>Auditor</b>           | Deloitte LLP<br>1 New Street Square<br>London<br>EC4A 3HQ<br>United Kingdom |

## **Nevada Investorco Limited**

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

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

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

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

The results for the Company show turnover of £Nil (2018: £Nil) and loss before tax of £4.1m (2018: £33.2m) for the year. At 31 December 2019 the Company had net liabilities of £25.9m (2018: £22.4m). The going concern note (part of accounting policies) on page 15 sets out the reasons why the directors continue to believe that the preparation of the financial statements on a going concern basis is appropriate.

#### **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 Nevada Investorco Limited. Consideration of the financial risk and future impact can be found in the Strategic Report within the 'Principal risks and uncertainties' section and the Going concern disclosure in note 2.

#### **Key performance indicators**

The Company's performance and value, as a holding company of the Group, is integrated with its investment in the Company's subsidiary. 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 subsidiary. Trading performance in the subsidiary 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 financial statements.

The directors consider the key performance indicator for the Company is ensuring the regulated subsidiary's liabilities are settled fairly and expeditiously. The subsidiary sets performance targets for the year ahead and the directors of Nevada Investments TopCo Limited, a direct parent company, monitor progress, recognising that the Company and its regulated subsidiary are dependent upon the continued financial support of the Nevada Investments TopCo Limited.

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

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

## **Nevada Investorco Limited**

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

The principal risks and their mitigation are as follows:

#### *Financial risk*

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

#### *Impact of Covid-19*

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.

#### *General Data Protection Regulation*

The Company's computer systems store information about our customers, some of which is sensitive personal data. Database privacy, identity theft and related computer and internet issues are matters of growing public concern and are subject to changes in rules and regulations. Our failure to adhere to or successfully implement processes in response to changing regulatory requirements in this area could result in legal liability or harm to our reputation. Although the Company has taken reasonable and appropriate security measures to prevent unauthorised access to information stored in our database and to ensure that our processing of personal data complies with the relevant data protection regulations, our technology may fail to adequately secure the private information the Company maintain in its databases and protect it from theft or inadvertent loss.

#### *Future impact of Brexit*

The Brexit decision may affect the ability of businesses to passport from the UK into other EU states and likewise into the UK from the EU. Following the 2019 general election, the Prime Minister has been clear that he is driven to deliver Brexit with a transition period ending on 31 December 2020.

We continue to believe that the direct impact on the Group will not be significant because it conducts only limited business within the EU and, importantly, because several additional mitigation strategies have been put in place during 2019 (i.e. gaining direct authorisation in certain EU member states) to reduce the risk. However, the loss of passporting rights may affect the insurance markets in which the Group operates, possibly reducing insurance capacity, competition and choice.

Brexit could also lead to a general decline in economic conditions in the UK where the Group operates predominantly. The diversified business portfolio of the Group continues to mitigate the risk of a general decline in economic conditions.

**Nevada Investorco Limited**

**Strategic Report for the Year Ended 31 December 2019 (continued)**

19/10/2020

Approved by the Board on ..... and signed on its behalf by:



.....  
D Cougill  
Director

## **Nevada Investorco Limited**

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

The directors present their annual report and the audited financial statements 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:

A Erotocritou (resigned 1 August 2019)

D C Ross

D Cougill (appointed 1 August 2019)

#### **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).

#### **Subsequent events**

Details of subsequent events can be found in the Notes to the financial statements within the 'Subsequent events' section on page 24.

#### **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. At 31 December 2019, the Company had net liabilities of £25.9m (2018: £22.4m). The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. In reaching their view on the preparation of the Company's financial statements on a going concern basis, the Directors have also considered the letter of support provided by Ardonagh Midco 3 Plc. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Further details can be found in note 2 to these financial statements.

As further described in the subsequent events note, on 14 July 2020, the Group issued new borrowings, which it used to repay its existing borrowings and to fund acquisitions. The Directors' going concern assessment takes into account these new financing arrangements and latest forecasts for the enlarged group.

#### **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, in place during the financial year and at the date of this report.

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

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

**Nevada Investorco Limited**

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

**Reappointment of auditor**

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

19/10/2020

Approved by the Board on ..... and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'D Cougill', followed by a small mark that looks like '11'.

D Cougill  
Director



## **Nevada Investorco Limited**

### **Statement of Directors' Responsibilities**

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. 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; 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 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.

## **Nevada Investorco Limited**

### **Independent Auditor's Report to the Members of Nevada Investorco Limited**

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

##### **Opinion**

In our opinion the financial statements of Nevada Investorco Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss 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 17.

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**

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.

## **Nevada Investorco Limited**

### **Independent Auditor's Report to the Members of Nevada Investorco Limited (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 [set out on page 7], 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](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.

##### **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.

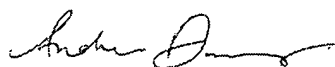
We have nothing to report in respect of these matters.

## **Nevada Investorco Limited**

### **Independent Auditor's Report to the Members of Nevada Investorco Limited (continued)**

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

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



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

**19/10/2020**

Date:..

# Nevada Investorco Limited

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

|                              | Note | 2019<br>£                 | 2018<br>£                  |
|------------------------------|------|---------------------------|----------------------------|
| <b>Commission and fees</b>   |      | -                         | -                          |
| Impairment of investments    | 9    | <u>(1,174,542)</u>        | <u>(30,264,995)</u>        |
| <b>Operating loss</b>        | 4    | (1,174,542)               | (30,264,995)               |
| Finance costs                | 5    | <u>(2,902,960)</u>        | <u>(2,902,958)</u>         |
| <b>Loss before tax</b>       |      | (4,077,502)               | (33,167,953)               |
| Income tax credit            | 8    | <u>551,562</u>            | <u>261,425</u>             |
| <b>Net loss for the year</b> |      | <u><u>(3,525,940)</u></u> | <u><u>(32,906,528)</u></u> |

The above results arise from continuing operations.

The notes on pages 14 to 24 form an integral part of these financial statements.

# Nevada Investorco Limited

(Registration number: 10735273)

## Statement of Financial Position as at 31 December 2019

|  | Note | 2019<br>£           | 2018<br>£           |
|--|------|---------------------|---------------------|
| <b>Non-current assets</b>                    |      |                     |                     |
| Investments in subsidiary undertakings       | 9    | 9,367,201           | 10,541,743          |
| <b>Current assets</b>                        |      |                     |                     |
| Trade and other receivables                  | 10   | 1,103,124           | -                   |
| Tax assets                                   |      | -                   | 551,562             |
|  |      | <u>1,103,124</u>    | <u>551,562</u>      |
| <b>Current liabilities</b>                   |      |                     |                     |
| Trade and other payables                     | 11   | <u>(7,332,954)</u>  | <u>(4,429,994)</u>  |
| <b>Net current liabilities</b>               |      | <u>(6,229,830)</u>  | <u>(3,878,432)</u>  |
| <b>Total assets less current liabilities</b> |      | <u>3,137,371</u>    | <u>6,663,311</u>    |
| <b>Non-current liabilities</b>               |      |                     |                     |
| Loan   | 12   | <u>(29,029,583)</u> | <u>(29,029,583)</u> |
| <b>Net liabilities</b>                       |      | <u>(25,892,212)</u> | <u>(22,366,272)</u> |
| <b>Capital and reserves</b>                  |      |                     |                     |
| Share premium                                |      | 11,770,417          | 11,770,417          |
| Retained losses*                             |      | <u>(37,662,629)</u> | <u>(34,136,689)</u> |
| <b>Total equity</b>                          |      | <u>(25,892,212)</u> | <u>(22,366,272)</u> |

\*The Company subsumed its Capital contribution reserve, which was previously presented separately, within retained losses. The amount subsumed was £6,738 at 31 December 2018.

19/10/2020

Approved by the Board on ..... and signed on its behalf by:



D Cougill  
Director

The notes on pages 14 to 24 form an integral part of these financial statements.

# Nevada Investorco Limited

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

|                       | Share<br>premium<br>£ | Retained<br>losses<br>£ | Total<br>£          |
|-----------------------|-----------------------|-------------------------|---------------------|
| At 1 January 2019     | 11,770,417            | (34,136,689)            | (22,366,272)        |
| Net loss for the year | <u>-</u>              | <u>(3,525,940)</u>      | <u>(3,525,940)</u>  |
| At 31 December 2019   | <u>11,770,417</u>     | <u>(37,662,629)</u>     | <u>(25,892,212)</u> |

|                       | Share<br>premium<br>£ | Retained<br>losses*<br>£ | Total<br>£          |
|-----------------------|-----------------------|--------------------------|---------------------|
| At 1 January 2018     | 11,770,417            | (1,236,899)              | 10,533,518          |
| Share-based payment   | -                     | 6,738                    | 6,738               |
| Net loss for the year | <u>-</u>              | <u>(32,906,528)</u>      | <u>(32,906,528)</u> |
| At 31 December 2018   | <u>11,770,417</u>     | <u>(34,136,689)</u>      | <u>(22,366,272)</u> |

\*The Company subsumed its share-based payment reserve, which was previously presented separately as a capital contribution reserve, within retained losses. The amount subsumed was £6,738 at 31 December 2018.

## **Nevada Investorco Limited**

### **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 incorporated in England and registered in United Kingdom. The address of the registered office can be found on page 1. The principal activity of the Company is disclosed on page 2 within the 'Strategic Report'.

The financial statements for the year ended 31 December 2019 were authorised for issue by the board on ..... 19/10/2020 ..... and the Statement of Financial Position was signed on the board's behalf by D Cougill.

#### **2 Accounting policies**

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

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

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

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

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

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

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.

##### **Application of new and revised International Financial Reporting Standards ("IFRS")**

IFRS 16 and other new accounting standards are applicable for financial reporting periods starting on 1 January 2019 or later. These new standards did not have a material impact on the Company.

##### **Summary of disclosure exemptions**

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), 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 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;
- the requirements of IFRS 7 Financial Instruments: Disclosures and of paragraphs 91-99 of IFRS 13 Fair Value Measurement;



## Nevada Investorco Limited

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

#### 2 Accounting policies (continued)

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

#### Going concern

As shown in account note 16, 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 liabilities of £25.9m (2018: £22.4m) and net current liabilities of £6.2m (2018: £3.9m). The net current liabilities include amounts receivable from related parties of £1.1m (2018: £0.0m), and amounts due to related parties of £7.3m (2018: £4.4m). The Company reported a loss before tax £4.1m (2018: £33.2m). The Company was one of a number of group companies who at 31 December 2019 guaranteed bank and bond debt owed by Ardonagh Midco 3 Plc, an intermediate holding company in the Group, (note 15).

The Company is dependent upon the ongoing financial support of Nevada Investments TopCo Limited, although the provision of such support is not legally binding.

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 £1.975 billion of debt in the form of \$500m (£400m) of Senior Unsecured Notes and £1.575 billion of private borrowings with maturity dates of 6 years, 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.

## **Nevada Investorco Limited**

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

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

- The Group has access to a Revolving Credit Facility ("the Group's RCF"). The Group's RCF facility capacity is £191.5m that is undrawn.

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 Going Concern stress testing indicated that revenue would need to decline by over 30% compared to base case in each of the next 6 quarters, offset by slightly higher discretionary cost cuts and headcount reductions (but still assuming that the cost base does not reduce at the same speed as income) to reach our 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 Limited, 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.

As further described in the subsequent events note, on 14 July 2020, the Group issued new borrowings, which it used to repay its existing borrowings and to fund acquisitions. The Directors' going concern assessment takes into account these new financing arrangements and latest forecasts for the enlarged group.

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 undertakings**

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

#### **Impairment of investments**

The carrying amount of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

## **Nevada Investorco Limited**

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

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

##### **Investments in subsidiary undertakings (continued)**

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income. 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 ('FVLCD') and value in use ('VIU'). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

##### **Financial instruments**

###### **Financial assets**

Financial assets are initially measured at fair value plus directly attributable transaction costs. The Company's financial assets include trade and other receivables.

Trade and other receivables represent amounts due from related parties. They are initially measured at fair value and subsequently measured at amortised cost.

###### *Impairment of trade and other receivables*

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.

###### **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 related parties. They are initially measured at fair value and subsequently measured at amortised cost.

###### **Share capital**

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

###### **Finance income and costs policy**

The Company's finance costs relate to interest expense which is recognised using the effective interest method for debt instruments classified as amortised cost.

###### **Borrowings**

Borrowings are classified as current liabilities unless the Group 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 stated at amortised cost using the effective interest rate method.

## Nevada Investorco Limited

### 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.

##### Key sources of estimation uncertainty

##### Impairment of investments in subsidiaries

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

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

#### 4 Operating loss

The audit fee of £4,413 (2018: £4,284) or the audit of this 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 Finance costs

|                               | 2019<br>£                 | 2018<br>£                 |
|-------------------------------|---------------------------|---------------------------|
| <b>Finance costs</b>          |                           |                           |
| Interest on subordinated loan | <u>(2,902,960)</u>        | <u>(2,902,958)</u>        |
| Net finance cost              | <u><u>(2,902,960)</u></u> | <u><u>(2,902,958)</u></u> |

#### 6 Staff costs

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

## Nevada Investorco Limited

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

#### 7 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.

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

#### 8 Income tax credit

Tax credited/(charged) in the Statement of Comprehensive Income

|  | 2019<br>£      | 2018<br>£        |
|--|----------------|------------------|
| <b>Current taxation</b>                        |                |                  |
| UK corporation tax                             | 551,562        | 551,562          |
| UK corporation tax adjustment to prior periods | <u>-</u>       | <u>(290,137)</u> |
|  | <u>551,562</u> | <u>261,425</u>   |

The differences are reconciled below:

|   | 2019<br>£          | 2018<br>£           |
|---|--------------------|---------------------|
| Loss before tax   | <u>(4,077,502)</u> | <u>(33,167,953)</u> |
| Corporation tax at standard rate of 19% (2018: 19%)                 | 774,725            | 6,301,911           |
| Tax adjustment in respect of prior years                            | -                  | (290,137)           |
| Impairment of investments   | <u>(223,163)</u>   | <u>(5,750,349)</u>  |
| Total tax credit/(expense) in the statement of comprehensive income | <u>551,562</u>     | <u>261,425</u>      |

Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%.

## Nevada Investorco Limited

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

#### 9 Investments in subsidiary undertakings

| Subsidiaries                    | £          |
|---------------------------------|------------|
| <b>Cost</b>                     |            |
| At 1 January 2019               | 40,806,738 |
| At 31 December 2019             | 40,806,738 |
| <b>Provision for impairment</b> |            |
| At 1 January 2019               | 30,264,995 |
| Provision                       | 1,174,542  |
| At 31 December 2019             | 31,439,537 |
| <b>Carrying amount</b>          |            |
| At 31 December 2019             | 9,367,201  |
| At 31 December 2018             | 10,541,743 |

Details of the subsidiaries as at 31 December 2019 are as follows. Unless otherwise stated, the registered office of the subsidiaries detailed below is: 2 Minster Court, London, EC3R 7PD.

| Name of subsidiary           | Principal activity | Country of incorporation and Principal place of business | Company interest in ordinary share capital and voting rights held |      |
|------------------------------|--------------------|--|---|------|
|                              |                    |  | 2019  | 2018 |
| Nevada Investments 1 Limited | Holding company    | England  | 100%  | 100% |

The Company has reassessed the recoverable amount of the Company's investments in subsidiary as a result of an ongoing reorganisation of the Group. Following this reassessment, it was determined that the carry value of its investment in Nevada Investments 1 Limited exceeded its recoverable amount. An impairment charge of £1.2m has been recognised in the year.

Management reviews business performance based on lines of business. Investment in subsidiaries is tested for impairment at Company level.

The recoverable amount of the Company is determined as the higher of fair value less costs of disposal (FVLCD) and value in use (VIU), in accordance with the Company's accounting policy. For the year ended 31 December 2019, the recoverable amount of the Company was determined to be FVLCD.

FVLCD is considered to be a level 3 valuation in the fair value hierarchy, as it is not based on observable market data. It is derived based on Company's net assets and its future economic rights which is an average of a multiple of revenue and a multiple of EBITDA.

## Nevada Investorco Limited

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

#### 10 Trade and other receivables

|  | 2019<br>£        | 2018<br>£ |
|--|------------------|-----------|
| <b>Current trade and other receivables</b> |                  |           |
| Receivables from other Group companies     | <u>1,103,124</u> | <u>-</u>  |
|  | <u>1,103,124</u> | <u>-</u>  |

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

#### 11 Trade and other payables

|   | 2019<br>£        | 2018<br>£        |
|---|------------------|------------------|
| <b>Current trade and other payables</b> |                  |                  |
| Amounts due to other Group companies    | <u>7,332,954</u> | <u>4,429,994</u> |
|   | <u>7,332,954</u> | <u>4,429,994</u> |

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

#### 12 Loan

|                         | 2019<br>£         | 2018<br>£         |
|-------------------------|-------------------|-------------------|
| <b>Non-current loan</b> |                   |                   |
| Intra Group loan        | <u>29,029,583</u> | <u>29,029,583</u> |

On 22 June 2017 the Company entered into a subordinate loan agreement with Ardonagh Services Limited, a fellow Group subsidiary company. The loan bears interest at a fixed rate of 10.0% per annum.

#### 13 Share capital

##### Allotted, called up and fully paid shares

|                               | 2019      |             | 2018      |             |
|-------------------------------|-----------|-------------|-----------|-------------|
|                               | No.       | £           | No.       | £           |
| Ordinary shares of £0.01 each | <u>10</u> | <u>0.10</u> | <u>10</u> | <u>0.10</u> |

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

## **Nevada Investorco Limited**

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

#### **14 Related party transactions**

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

#### **15 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.

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 Investorco Limited**

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

#### **15 Commitments (continued)**

|   |   |
|---|---|
| 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                              |
| 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   |

#### **16 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 2 Minster Court, London, EC3R 7PD). Financial statements for The Ardonagh Group Limited and Ardonagh Midco 3 plc are available on request from:

2 Minster Court  
Mincing Lane  
London  
EC3R 7PD

## **Nevada Investorco Limited**

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

#### **17 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 (see note 2 Basis of preparation).

On 14 July 2020, the Group issued new borrowings, which it used to repay its existing borrowings and to fund acquisitions. The existing borrowings included the existing senior secured notes and the revolving credit facility, the repayment of which released the Group from the associated security. The new borrowings include \$500m senior unsecured notes, a senior secured term loan facility of £1,575m comprising £1,412.8m denominated in pound sterling and €180m denominated in euro and a £191.5m revolving credit facility that is not drawn at the date of this report. The Group completed the purchase of the entire issued share capital of Nevada 5 Topco Limited (an indirect parent of Arachas Topco Limited) on 14 July 2020, for a consideration of €135,781,781.51 cash. The Group also completed the purchase of the entire issued share capital of Nevada 4 Midco 1 Limited (the parent of Bravo Investment Holdings Limited) on 14 July 2020, for a consideration of £39,794,109.14 cash. The new borrowings will also be used to fund the acquisition of Bennetts Motorcycling Services Limited.