

Registration number: 11168479

Nevada Investment Holdings 3 Limited

Annual Report and Financial Statements

for the Year Ended 31 January 2020



Nevada Investment Holdings 3 Limited

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Nevada Investment Holdings 3 Limited

Company Information

Directors	A Erotocritou D Cougill
Company secretary	D Clarke
Registered office	2 Minster Court Mincing Lane London EC3R 7PD United Kingdom
Auditor	Deloitte LLP 1 New Street Square London EC4A 3HQ United Kingdom

Nevada Investment Holdings 3 Limited

Strategic Report for the Year Ended 31 January 2020

The directors present their Strategic Report for the year ended 31 January 2020 for Nevada Investment Holdings 3 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 developments and performance of the Company during the financial year, the position at the end of the year and discusses the main trends and factors that could affect the future. The Company is part of The Ardonagh Group Limited ("the Group").

Principal activity and business review

The principal activity of the Company is that of a non-trading holding company.

The results for the Company show turnover of £Nil (2019: £Nil) and profit before tax of £0.0m (2019: loss of £4.2m) for the year. At 31 January 2020 the Company had net assets of £0.2m (2019: £50.0m). 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.

During the year, the Company disposed of its investments in subsidiaries to Ardonagh Finco Plc, a fellow Group company.

Outlook

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

The unprecedented and rapidly evolving nature of the global Covid-19 pandemic (including short-term and long term effects thereof) creates unprecedented and extraordinary uncertainties for most businesses including Nevada Investment Holdings 3 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 the Company 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 the Company is the carrying value of its subsidiary, as this is the main asset of the Company. The performance of the subsidiary undertaking will determine whether an impairment to the carrying value is required and this is tested on a regular basis. During the current year, the Company disposed of its subsidiary investment to Ardonagh Finco Plc, a fellow Group company.

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 financial statements. As noted above, the Company's investment in subsidiaries was disposed of in the current year.

Nevada Investment Holdings 3 Limited

Strategic Report for the Year Ended 31 January 2020

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 its 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 we maintain in our 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.

Approved by the board on 25/09/2020 and signed on its behalf by:



D Cougill
Director

Nevada Investment Holdings 3 Limited

Directors' Report for the Year Ended 31 January 2020

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

Directors of the Company

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

A Erotocritou

D Cougill

Dividends

In support of the Nevada 2 transaction, the Company made a dividend payment of £51.6m in respect of the financial year ended 31 January 2020 (2019: £Nil).

Financial risk management objectives and policies

Details of financial risk management objectives and policies can be found in the Strategic Report within the 'Principal risks and uncertainties' section on page 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 (2019: £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 the 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.

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.

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 15.

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.

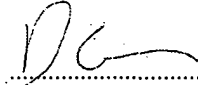
Nevada Investment Holdings 3 Limited

Directors' Report for the Year Ended 31 January 2020

Reappointment of auditor

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

Approved by the board on 25/09/2020... and signed on its behalf by:



D Cougill
Director

Nevada Investment Holdings 3 Limited

Directors' Responsibilities Statement

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Nevada Investment Holdings 3 Limited

Independent Auditor's Report to the members of Nevada Investment Holdings 3 Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Nevada Investment Holdings 3 Limited ("the Company"):

- give a true and fair view of the state of the Company's affairs as at 31 January 2020 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 15.

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 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.

Nevada Investment Holdings 3 Limited

Independent Auditor's Report to the members of Nevada Investment Holdings 3 Limited

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.

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 respect of these matters.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement 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 FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Nevada Investment Holdings 3 Limited

Independent Auditor's Report to the members of Nevada Investment Holdings 3 Limited

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

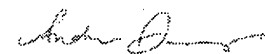
Under the Companies Act 2006 we are required to report to in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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



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

Date: 25/09/2020

Nevada Investment Holdings 3 Limited

Statement of Comprehensive Income for the Year Ended 31 January 2020

		2020	24 January 2018 to 31 January 2019
	Note	£	£
Administrative expenses		(860)	(2,673,928)
Operating loss	4	(860)	(2,673,928)
Finance income		35,000	-
Finance costs		-	(1,548,609)
Net finance income/(cost)	5	35,000	(1,548,609)
Profit/(loss) before tax		34,140	(4,222,537)
Income tax (expense)/credit	8	(19,468)	247,781
Net profit/(loss) for the year.		14,672	(3,974,756)

The above results were derived from continuing operations.

The notes on pages 13 to 23 form an integral part of these financial statements.

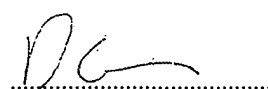
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(Registration number: 11168479)

Statement of Financial Position as at 31 January 2020

	Note	2020 £	Period ending 31 January 2019 £
Non-current assets			
Investments in subsidiary undertakings	9	-	51,575,483
Deferred tax assets	8	196,024	-
	10	<u>196,024</u>	<u>51,575,483</u>
Current assets			
Trade and other receivables	10	31,429	-
Income tax asset		1	247,781
		<u>31,430</u>	<u>247,781</u>
Current liabilities			
Trade and other payables	11	-	(1,852,128)
		-	<u>(1,852,128)</u>
Net current assets/(liabilities)		<u>31,430</u>	<u>(1,604,347)</u>
Total assets less current liabilities		<u>227,454</u>	<u>49,971,136</u>
Net assets		<u>227,454</u>	<u>49,971,136</u>
Capital and reserves			
Share capital	12	1	53,945,891
Share premium		-	1
Retained earnings/(losses)		<u>227,453</u>	<u>(3,974,756)</u>
Total equity		<u>227,454</u>	<u>49,971,136</u>

Approved by the Board on 25/09/2020.. and signed on its behalf by:



D Cougill
Director

The notes on pages 13 to 23 form an integral part of these financial statements.

Nevada Investment Holdings 3 Limited

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

	Share capital £	Share premium £	Capital contribution £	Retained earnings £	Total £
At 1 February 2019	53,945,891	1	-	(3,974,756)	49,971,136
Net profit for the year	-	-	-	14,672	14,672
Capital contribution	-	-	1,851,129	-	1,851,129
Capital reduction	(53,945,890)	(1)	-	53,945,891	-
Dividend paid	-	-	(1,851,129)	(49,758,354)	(51,609,483)
At 31 January 2020	<u>1</u>	<u>-</u>	<u>-</u>	<u>227,453</u>	<u>227,454</u>

In February 2019, Ardonagh Midco 3 Plc, an indirect parent company, formally released Nevada Investment Holdings 3 Limited from a £1.9m intercompany loan resulting in the recognition of a £1.9m capital contribution reserve.

On 11 March 2019, the Company undertook a capital reduction by way of directors' solvency statement. Thereafter, the Company distributed its subsidiary investments to a fellow Group company, Ardonagh Finco Plc.

	Share capital £	Share premium £	Capital contribution £	Retained losses £	Total £
At 24 January 2018	1	-	-	-	1
Net loss for the period	-	-	-	(3,974,756)	(3,974,756)
New share capital issued	<u>53,945,890</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>53,945,891</u>
At 31 January 2019	<u>53,945,891</u>	<u>1</u>	<u>-</u>	<u>(3,974,756)</u>	<u>49,971,136</u>

The notes on pages 13 to 23 form an integral part of these financial statements.

Nevada Investment Holdings 3 Limited

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

1 Authorisation of financial statements

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

These financial statements for the year ended 31 January 2020 were authorised for issue by the board on ...25/09/2020..... 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 periods presented, unless otherwise stated.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS101").

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.

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 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64 (q)(ii), B66 and B67 of IFRS 3 Business Combinations which includes among other exemptions the requirement to include a comparative period reconciliation for goodwill;
- the requirements of IFRS 7 Financial Instruments: Disclosures and of paragraphs 91-99 of IFRS 13 Fair Value Measurement apart from those which are relevant for the financial statements which are held at fair value not held as part of a trading portfolio;

Nevada Investment Holdings 3 Limited

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

2 Accounting policies (continued)

- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to provide comparative period reconciliations in respect of outstanding shares, property, plant & equipment and intangible assets;
- 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 in paragraph 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements, which includes the need to provide details on capital management;
- the requirements of paragraphs 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 around the need to disclose information on key management personnel and details on related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d) - 134(f) and 135(c) - 135(e) of IAS 36 Impairment of Assets in respect of disclosure of assumptions on which projections used in the impairment review are based and sensitivity analysis.

Equivalent disclosures are included in the Group's consolidated financial statements as required by FRS 101 where exemptions have been applied.

Going Concern

As shown in account note 14, 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 January 2020 the Company had net assets of £0.2m (2019: £50.0m) and net current assets of £0.0m (2019: net current liabilities of £1.6m).

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 6.5 years and 6 years respectively. 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.

Nevada Investment Holdings 3 Limited

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

2 Accounting policies (continued)

- 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 £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 subsidiaries

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.

Nevada Investment Holdings 3 Limited

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

2 Accounting policies (continued)

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.

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.

Calculation of recoverable amount

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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

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.

Impairment of financial assets

The Company assesses, on a forward-looking basis, the expected credit losses (ECL) associated with its financial assets carried at amortised cost. The Company recognises a loss allowance for such losses at each reporting date.

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

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

Nevada Investment Holdings 3 Limited

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

2 Accounting policies (continued)

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

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

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

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

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.

Taxation

Current tax

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

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

Deferred tax

Deferred tax is recognised in respect of taxable temporary differences at the reporting date (except in relation to goodwill or a transaction which is not a business combination and does not affect profit nor taxable profit). Deferred tax assets are only recognised to the extent that it is probable they will be recovered against the reversal of deferred tax liabilities or against future taxable profits. Deferred tax assets and deferred tax liabilities are only offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and if they relate to income taxes levied by the same taxation authority on the same taxable entity or on different taxable entities which intend to settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously.

Nevada Investment Holdings 3 Limited

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

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 assets

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. An impairment test requires the application of significant judgement because it relies on key assumptions, including revenue and an EBITDA multiple.

4 Operating loss

The audit fee of £5k (2019: £5k) 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 Net finance income/(costs)

	2020 £	Period from 24 January 2018 to 31 January 2019 £
Finance income	35,000	-
Finance costs	-	(1,548,609)
Net finance income/(cost)	<u>35,000</u>	<u>(1,548,609)</u>

During the year, the Company received £35k dividend from Minton House Group Limited.

Nevada Investment Holdings 3 Limited

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

6 Staff costs

The Company had no employees in the current year or the preceding year. All administration is performed by employees of the Group.

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.

8 Income tax

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

	2020 £	Period from 24 January 2018 to 31 January 2019 £
Current taxation		
UK corporation tax	150	247,781
UK corporation tax adjustment to prior periods	(215,642)	-
	(215,492)	247,781
Deferred taxation		
Arising from origination and reversal of temporary differences	196,024	-
Tax (expense)/credit in the Statement of Comprehensive Income	(19,468)	247,781

	2020 £	Period from 24 January 2018 to 31 January 2019 £
The differences are reconciled below:		
Profit/(loss) before tax	34,140	(4,222,537)
Corporation tax at standard rate at 19% (2019: 19%)	(6,487)	802,282
Adjustment to current tax charge in respect of prior periods	(215,642)	-
Expenses not deductible for tax purposes	-	(554,501)
Deferred tax credit from unrecognised tax credit	196,011	-
Exempt ABGH distributions	6,650	-
Total tax (charge)/credit	(19,468)	247,781

Nevada Investment Holdings 3 Limited

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

8 Income tax (continued)

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%. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2019 continue to be measured at a rate of 17%. If the amended tax rate had been used, the deferred tax asset would have been £23,062 higher.

Deferred tax

Deferred tax assets

2020	Asset £
Tax losses carry-forwards	<u>196,024</u>

Deferred tax movement during the year:

	At 1 February 2019 £	Recognised in income £	At 31 January 2020 £
Tax losses carry-forwards	<u>-</u>	<u>196,024</u>	<u>196,024</u>

Deferred tax movement during the prior period:

	At 24 January 2018 £	At 31 January 2019 £
Tax losses carry-forwards	<u>-</u>	<u>-</u>

Nevada Investment Holdings 3 Limited

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

9 Investments in subsidiary undertakings

	£
Cost or valuation	
At 1 February 2019	51,575,483
Disposals	<u>(51,575,483)</u>
At 31 January 2020	<u>-</u>
Provision for impairment	
At 1 February 2019	<u>-</u>
At 31 January 2020	<u>-</u>
Carrying amount	
At 31 January 2020	<u>-</u>
At 31 January 2019	<u>51,575,483</u>

On 11 March 2019, the Company undertook a capital reduction by way of directors' solvency statement. Thereafter, the Company distributed its subsidiary investments to a fellow Group company, Ardonagh Finco Plc.

Details of the subsidiaries as at 31 January 2020 are as follows.

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2020	2019
* Professional Fee Protection Limited	Provision of insurance services	England	0%	100%
** Minton House Group Limited	Provision of insurance services	England	0%	100%
*** Health and Protection Solutions Limited	Provision of insurance services	England	0%	100%

The registered office address for each subsidiary is as follows:

* 5 Sylvan Way, Southfields Business Park, Basildon, England, SS15 6TH;

** 2 Minster Court, Mincing Lane, London, EC3R 7PD;

*** West Park House, 23 Cumberland Place, Southampton, SO15 2BB.

Nevada Investment Holdings 3 Limited

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

10 Trade and other receivables

	2020	Period from 24 January 2018 to 31 January 2019
	£	£
Current trade and other receivables		
Receivables from other Group companies	<u>31,429</u>	<u>-</u>

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

11 Trade and other payables

	2020	Period from 24 January 2018 to 31 January 2019
	£	£
Amounts due to other group companies	-	18,054
Loan from related party	<u>-</u>	<u>1,834,074</u>
	<u>-</u>	<u>1,852,128</u>

12 Share capital

Allotted, called up and fully paid shares

	2020		Period from 24 January 2018 to 31 January 2019	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>53,945,891</u>	<u>53,945,891</u>

During the year, the Company undertook a capital reduction. 53,945,890 Ordinary shares having an aggregate nominal value of £53,945,890 were cancelled, by way of a directors' solvency statement.

Nevada Investment Holdings 3 Limited

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

13 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 wholly owned subsidiaries or key management personnel.

14 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

15 Subsequent event

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.