## IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("**QIBs**") WITHIN THE MEANING OF RULE 144A ("**RULE 144A**") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**"), OR (2) OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S ("**REGULATION S**") UNDER THE U.S. SECURITIES ACT (AND, IN THIS CASE, ONLY TO INVESTORS WHO, IF RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA OR IN THE UNITED KINGDOM, ARE NOT RETAIL INVESTORS (AS DEFINED BELOW)).

***IMPORTANT: You must read the following before continuing***. The following applies to the preliminary offering memorandum following this notice, whether received by email or otherwise received as a result of electronic communication. You are therefore advised to read this carefully before reading, accessing or making any other use of the attached preliminary offering memorandum. In accessing the attached preliminary offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

The attached preliminary offering memorandum has been prepared in connection with the proposed offer and sale of the securities (including the guarantees) described herein. The attached preliminary offering memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE LAWS OF OTHER JURISDICTIONS.

THE FOLLOWING PRELIMINARY OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

***Confirmation of your representation***. In order to be eligible to view the preliminary offering memorandum or make an investment decision with respect to the securities, investors must be either (1) QIBs or (2) outside the United States and investing in the securities in offshore transactions as defined in Regulation S (and, in this case, only to investors who, if resident in a Member State of the European Economic Area or in the United Kingdom, are not retail investors. For these purposes, a retail investor is defined as a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended or superseded ("**MiFID II**"); or (ii) a customer within the meaning of Directive 2016/97/EU, as amended or superseded (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined under Regulation 2017/1129/EU, as amended or superseded (the "**Prospectus Regulation**"). The attached preliminary offering memorandum is being sent at your request. By accepting the e-mail and accessing the attached preliminary offering memorandum, you shall be deemed to have represented to us that:

(1) you consent to delivery of such preliminary offering memorandum by electronic transmission; and

(2) either you and any customers you represent are:

(a) QIBs; or

(b) outside the United States and the e-mail address that you gave us and to which the e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any state of the United States or the District of Columbia and if you are resident in a Member State in the EEA or in the United Kingdom, you are not a retail investor.

Prospective purchasers that are QIBs are hereby notified that the seller of the securities will be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act pursuant to Rule 144A.

You are reminded that the attached preliminary offering memorandum has been delivered to you on the basis that you are a person into whose possession the attached preliminary offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located, and you may not, nor are you authorized to, deliver the attached preliminary offering memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any place or jurisdiction where such offer, solicitation or sale would be unlawful. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of us in such jurisdiction.

**PRIIPs Regulation / Prohibition of sales to EEA and UK retail investors**—The debt securities described in the preliminary offering memorandum are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended or superseded, the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended or superseded, the "**PRIIPs Regulation**") for offering or selling the debt securities described in the attached preliminary offering memorandum or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling such debt securities or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

The preliminary offering memorandum has been prepared on the basis that any offer of securities in any Member State of the EEA or the UK will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of securities. The preliminary offering memorandum is not a prospectus for the purposes of the Prospectus Regulation.

References to Regulations or Directives include, in relation to the UK, those Regulations or Directives as they form part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 or have been implemented in UK domestic law, as appropriate.

The attached preliminary offering memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments and who qualify as investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Financial Promotion Order**"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended ("**FSMA**")) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). The attached preliminary offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the attached preliminary offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

The attached preliminary offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently none of the initial purchasers, or any person who controls any of the initial purchasers, or any of their directors, officers, employees or agents accepts any liability or responsibility whatsoever in respect of any difference between the preliminary offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the initial purchasers.

**SUBJECT TO COMPLETION, DATED JUNE 22, 2020**
**PRELIMINARY OFFERING MEMORANDUM**

**NOT FOR GENERAL DISTRIBUTION**
**IN THE UNITED STATES**

**The information in this preliminary offering memorandum is not complete and may be changed. The Issuer may not sell these securities until the preliminary offering memorandum is delivered in final form. This preliminary offering memorandum is not an offer to sell these securities, and it is not soliciting an offer to buy these securities in any jurisdiction in which such offer, solicitation or sale is not permitted.**

# Ardonagh Midco 2 plc

## U.S.$500,000,000 % / % Senior PIK Toggle Notes due 2026

Ardonagh Midco 2 plc, a public limited company incorporated under the laws of England and Wales (the "**Issuer**"), is offering (the "**Offering**") U.S.$500,000,000 aggregate principal amount of % / % PIK Toggle Notes due 2026 (the "**Notes**"). The Indenture will provide that interest is payable, (a) for any interest period beginning on or prior to the second anniversary of the Issue Date (as defined below), at the Issuer's election, (i) entirely in cash ("**Cash Interest**"), (ii) by increasing the principal amount of the Notes or by issuing Notes in a principal amount equal to such interest (in each case, "**PIK Interest**"), or (iii) a combination of the two, as described in this Offering Memorandum and (b) for any interest period beginning after the second anniversary of the Issue Date, entirely in Cash Interest. Cash Interest will accrue on the Notes at the rate of % per annum and PIK Interest will accrue at the rate of % per annum. The Issuer will pay interest on the Notes semi-annually in arrear on each and , commencing on . The Notes will mature on , 2026.

The Issuer may redeem the Notes in whole or in part at any time on or after , 2022 at the redemption prices specified herein. Prior to , 2022, the Issuer may redeem all or part of the Notes at a redemption price equal to 100% of the principal amount of such Notes, plus a "make-whole" premium and accrued and unpaid interest (payable at the rate of Cash Interest) and additional amounts, if any, to the redemption date. Prior to , 2022, the Issuer may redeem up to 40% of the original aggregate principal amount of the Notes (including any PIK Interest thereon and the original principal amount of any additional Notes) with the net proceeds from certain equity offerings at the redemption prices set forth herein. The Issuer may redeem all, but not less than all, of the Notes upon the occurrence of certain changes in applicable tax law at a redemption price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest (payable at the rate of Cash Interest) and additional amounts, if any, to the date of redemption. Upon the occurrence of certain defined events constituting a change of control, each holder of Notes may require the Issuer to repurchase all or a portion of the Notes at a price equal to 101% of their principal amount plus accrued and unpaid interest (payable at the rate of Cash Interest) and additional amounts, if any, to, but excluding, the redemption date. See "*Description of the Notes*".

The proceeds of the Notes, together with certain proceeds from drawings under the Term Facility (as defined herein), will primarily be used to (i) to fund the Existing Notes Redemption (as defined herein); (ii) to repay drawn amounts under the Existing Revolving Credit Facility Agreement (as defined herein); (iii) to fund the Arachas Acquisition, the Bravo Acquisition and the Bennetts Acquisition; (iv) to pay the fees and expenses incurred in connection with the Transactions, including fees and expenses incurred in connection with the Offering and redemption costs incurred in connection with the Existing Notes Redemption; and (v) for general corporate purposes. See "*Use of Proceeds*." Subject to and in accordance with the Agreed Security Principles, the Notes will be guaranteed on a senior subordinated basis (the "**Notes Guarantees**"), on (a) the Issue Date, by Ardonagh Midco 3 plc (the "**Original Guarantor**"), (b) the date that is the earlier of (i) the date that such entity provides a guarantee under the Senior Secured Credit Facilities Agreement (as defined herein) and (ii) 90 days from (but excluding) the Issue Date, each of the subsidiaries of the Issuer that provides a guarantee under the Senior Secured Credit Facilities Agreement, which entities are expected to be Ardonagh Finco Plc, Ardonagh Advisory Holdings Limited, Ardonagh Services Limited, Ardonagh Specialty Holdings Limited, Atlanta 1 Insurance Services Limited, Bishopsgate Insurance Brokers Limited, Carole Nash Insurance Consultants Limited, Geo Underwriting Services Limited, Health and Protection Solutions Limited, Paymentshield Limited, Price Forbes & Partners Limited, Swinton Group Limited, Towergate Underwriting Group Ltd, URIS Group Limited (collectively, the "**Post-Closing Guarantors**"), (c) the date that is the earlier of (i) the date that such entity provides a guarantee under the Senior Secured Credit Facilities Agreement and (ii) 90 days from (but excluding) the Bravo Closing Date, each of the subsidiaries of Bravo that provides a guarantee under the Senior Secured Credit Facilities Agreement, which entities are expected to be Bravo Investment Holdings 3 Limited, Bravo Investment Holdings 4 Limited, The Broker Network Limited, Finch Commercial Insurance Brokers Ltd, Hawkwood Investment Holdings Limited and Verulam Holdings Limited (the "**Bravo Guarantors**"), (d) the date that is the earlier of (i) the date that such entity provides a guarantee under the Senior Secured Credit Facilities Agreement and (ii) 90 days from (but excluding) the Arachas Closing Date, a subsidiary of Arachas that provides a guarantee under the Senior Secured Credit Facilities Agreement which is expected to be Arachas Corporate Brokers Limited (the "**Arachas Guarantor**") and (e) the date that is the earlier of (i) the date that such entity provides a guarantee under the Senior Secured Credit Facilities Agreement and (ii) 90 days from (but excluding) the Bennetts Closing Date, Bennetts Motorcycling Services Limited ("**Bennetts Guarantor**") (and together with the Original Guarantors, the Post-Closing Guarantors, the Bravo Guarantors and the Arachas Guarantor, the "**Guarantors**"). The Guarantors will guarantee the obligations under the Senior Secured Credit Facilities Agreement on a senior basis. The Notes will be general senior obligations of the Issuer, rank *pari passu* in right of payment with all of the Issuer's existing and future indebtedness that is not expressly subordinated in right of payment to the Notes, rank senior in right of payment to all existing and future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes, be effectively subordinated to all existing and future indebtedness of the Issuer and its subsidiaries that is secured by property and assets that do not secure the Notes or that is secured on a first-priority basis over property or assets that secures the Notes on a second-priority basis, in each case to the extent of the value of the property and assets securing such obligation or indebtedness, including obligations under the Senior Secured Credit Facilities Agreement and certain hedging obligations, and be structurally subordinated to any existing or future obligations, including their obligations to trade creditors, of any subsidiary of the Issuer if that subsidiary is not also a Guarantor or Issuer of the Notes. Each Notes Guarantee will be a senior subordinated obligation of the relevant Guarantor, be subordinated in right of payment to all of the Guarantors' existing and future senior indebtedness, including any obligations under the Senior Secured Credit Facilities Agreement and certain hedging obligations, rank senior in right of payment to all of such Guarantors' existing and future indebtedness that is expressly subordinated in right of payment to such Notes Guarantee, be effectively subordinated to all existing and future indebtedness of such Guarantor that are secured by property or assets that do not secure such Notes Guarantee or that is secured on a first-priority basis over property or assets that secures the Notes on a second-priority basis, in each case, to the extent of the value of the property and assets securing such obligation or indebtedness, including obligations under the Senior Secured Credit Facilities Agreement and certain hedging obligations, and be structurally subordinated to any existing or future obligations, including their obligations to trade creditors, of any subsidiary of such Guarantor if that subsidiary is not also a Guarantor or Issuer of the Notes. Subject to the Agreed Security Principles and certain perfection requirements, the Notes and the Note Guarantees will be secured on or about the Issue Date, on a first-ranking basis, by security over (i) the shares of the Issuer held by Ardonagh Midco 1 Ltd. ("**Holdco**"), (ii) material assets of the Issuer (including its material bank accounts) other than certain excluded assets, pursuant to a floating charge and (iii) structural intercompany receivables owed to Holdco by the Issuer (if any) (the "**First-Ranking Collateral**"); and on a second-ranking basis, by security over (i) the shares of the Original Guarantor held by the Issuer and (ii) structural intercompany receivables owed to the Issuer by the Original Guarantor (if any) (the "**Shared Collateral**"). See "*Summary—The Offering*." See "*Description of the Notes—Security Documents*," "*Service of Process and Enforcement of Civil Liabilities*" and "*Certain Insolvency Law Considerations*." The Shared Collateral will also secure obligations under the Senior Secured Credit Facilities Agreement and certain hedging obligations, and may secure certain future Indebtedness on a first-ranking basis.

There is currently no public market for the Notes. Application will be made for the Notes to be listed on the International Stock Exchange Group (the "**Exchange**") and admitted for trading on the Official List of the Exchange thereof. There is no assurance that either the Notes will be listed and admitted to trade on the Official List of the Exchange.

***Investing in the Notes involves a high degree of risk. Please see "Risk Factors" beginning on page 32.***

**Issue price for the Notes: % plus accrued interest, if any, from the Issue Date.**

**The Notes and the related Notes Guarantees have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the laws of any other jurisdiction, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. In the United States, the offering of the Notes is being made only to qualified institutional buyers ("QIBs") within the meaning of Rule 144A ("Rule 144A") under the U.S. Securities Act in compliance with Rule 144A under the U.S. Securities Act. You are hereby notified that the initial purchasers of the Notes may be relying on the exemption from certain provisions of the U.S. Securities Act provided by Rule 144A thereunder. Outside the United States, the offering is being made in reliance on Regulation S ("Regulation S") under the U.S. Securities Act to persons other than retail investors in the European Economic Area or in the United Kingdom. For these purposes, a retail investor is defined as a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended or superseded, "MiFID II"); or (ii) a customer within the meaning of Directive 2016/97/EU (as amended or superseded, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined under Regulation 2017/1129/EU (as amended or superseded, the "Prospectus Regulation"). For additional information about eligible offerees and transfer restrictions, see *"Notice to Investors."***

The Notes will be issued in the form of global notes in registered form. See "*Book-Entry, Delivery and Form*." The Notes will be issued in denominations of $200,000 and integral multiples of $1.00 in excess thereof. The Notes are expected to be delivered to investors in book-entry form through The Depository Trust Company ("**DTC**") on or about (the "**Issue Date**").

*Joint Global Coordinators and Joint Bookrunners*

**BofA Securities** **Barclays** **Deutsche Bank Securities**

*Joint Bookrunners*

**Goldman Sachs International** **Natwest Markets**

The date of this offering memorandum is , 2020.

You should rely only on the information contained in this offering memorandum. We have not, and the initial purchasers have not, authorized anyone to provide you with information that is different from the information contained herein. We are not, and the initial purchasers are not, making an offer of these securities in any jurisdiction where such offer is not permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front of this offering memorandum.

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In this offering memorandum , "Issuer" refers to the Issuer and not any of its subsidiaries and "The Ardonagh Group," "Group," "we," "us" and "our" refer to the Issuer and its subsidiaries collectively, except where the context otherwise requires or it is otherwise indicated. The Issuer's registered office is located at 1 Minster Court, London, UK, EC3R 7AA. Our website is www.ardonagh.com. The information contained on our website is not part of this offering memorandum.

## IMPORTANT INFORMATION

This offering memorandum is confidential and has been prepared by us solely for use in connection with the offering. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes. Distribution of this offering memorandum to any person other than the prospective investor and any person retained to advise such prospective investor with respect to the purchase of the Notes is unauthorized, and any disclosure of any of the contents of this offering memorandum, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing and to make no photocopies of this offering memorandum or any documents referred to in this offering memorandum.

In making an investment decision, prospective investors must rely on their own examination of our company and the terms of the offering, including the merits and risks involved. In addition, neither we nor any initial purchaser nor any of our or their respective representatives is making any representation to you regarding the legality of an investment in the Notes, and you should not construe anything in this offering memorandum as legal, business or tax advice. You should consult your own advisors as to legal, tax, business, financial and related aspects of an investment in the Notes. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the Notes or possess or distribute this offering memorandum, and you must obtain all applicable consents and approvals. Neither we nor the initial purchasers shall have any responsibility for any of the foregoing legal requirements.

We accept responsibility for the information contained in this offering memorandum. Having taken all reasonable care to ensure that such is the case, to the best of our knowledge and belief, the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. The information contained in this offering memorandum is as of the date hereof. Neither the delivery of this offering memorandum at any time after the date of publication nor any subsequent commitment to purchase the Notes shall, under any circumstances, create an implication that there has been no change in the information set forth in this offering memorandum or in our business since the date of this offering memorandum.

In accordance with normal and accepted market practice, none of the Trustee, the Security Agent, the Paying Agent, the Registrar or the Transfer Agent (each as defined herein) is responsible for the contents of this offering memorandum or expresses any opinion as to the merit of the Notes.

The initial purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers as to the past or future.

The information set out in relation to sections of this offering memorandum describing clearing arrangements, including the section entitled "*Book-Entry, Delivery and Form*," is subject to any change in, or reinterpretation of, the rules, regulations and procedures of DTC currently in effect. Although we accept responsibility for accurately summarizing the information concerning DTC, we accept no further responsibility in respect of such information. DTC is not under any obligation to perform or continue to perform under such clearing arrangements and such arrangements may be modified or discontinued by any of them at any time. We will not, nor will any of our agents, have responsibility for the performance of the respective obligations of the DTC or its respective participants. Investors wishing to use these clearing systems are advised to confirm the continued applicability of these arrangements.

By receiving this offering memorandum, you acknowledge that you have had an opportunity to request from us for review, and that you have received, all additional information you deem necessary to verify the accuracy and completeness of the information contained in this offering memorandum. You also acknowledge that you have not relied on the initial purchasers in connection with your investigation of the accuracy of this information or your decision whether to invest in the Notes.

None of the U.S. Securities and Exchange Commission (the "**SEC**"), any state securities commission or any other regulatory authority has approved or disapproved of the Notes, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary could be a criminal offence in certain countries.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold, except as permitted under the U.S. Securities Act and the applicable state securities laws, pursuant to registration or exemption therefrom. As a prospective investor, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. Please refer to the sections in this offering memorandum entitled "*Plan of Distribution*" and "*Notice to Investors*."

We cannot guarantee that our application to the The International Stock Exchange (the "**Exchange**") for the Notes to be admitted to trading on the Official List of the Exchange thereof will be approved as of the settlement date for the Notes or at any time thereafter. We and the initial purchasers reserve the right to reject all or a part of any offer to purchase the Notes, for any reason, and settlement of the Notes is not conditioned on obtaining this admission to trading. We and the initial purchasers also reserve the right to sell less than all the Notes offered by this offering memorandum or to sell to any purchaser less than the amount of the Notes it has offered to purchase.

The Notes will be available in book-entry form only. We expect that the Notes sold pursuant to this offering memorandum will be issued in the form of two or more global notes. The global notes will be registered in the name of DTC or its nominee. Beneficial interests in the global notes will be shown on, and transfers of interests in the global notes will be effected only through, records maintained by DTC and its direct and indirect participants. After the initial issuance of the global notes, the relevant Notes in certificated form will be issued in exchange for the global notes only as set forth in the Indenture. See "*Book-Entry, Delivery and Form*."

The initial purchasers may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes which, if commenced, may be discontinued. Specifically, the initial purchasers may over-allot in connection with this Offering and may bid for and purchase Notes in the open market. For a description of these activities, see "*Plan of Distribution*."

## NOTICE TO INVESTORS IN THE UNITED STATES

This offering is being made in the United States in reliance upon an exemption from registration under the U.S. Securities Act for an offer and sale of the Notes which does not involve a public offering. You are hereby notified that the seller of any Note may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A thereunder. The Notes are subject to certain restrictions on transfer and resale. In making your purchase, you will be deemed to have made certain acknowledgments, representations and agreements. See "*Notice to Investors.*"

This offering memorandum is being provided (1) to a limited number of U.S. investors that we reasonably believe to be QIBs under Rule 144A under the U.S. Securities Act for informational use solely in connection with their consideration of the purchase of the Notes and (2) to investors outside the United States pursuant to offshore transactions complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act. The Notes described in this offering memorandum have not been registered with, recommended by or approved by the SEC, any state securities commission in the United States or any other securities commission or regulatory authority, nor has the SEC, any state securities commission in the United States or any such securities commission or authority passed upon the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

## NOTICE TO INVESTORS IN CANADA

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, *provided that* the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of National Instrument 33-105 regarding underwriter conflicts of interest in connection with this offering.

## NOTICE TO INVESTORS IN THE UNITED KINGDOM

This offering memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act (the "**FSMA**") in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

## NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA AND THE UNITED KINGDOM

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended or superseded, the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended or superseded, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling such Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

The offering memorandum has been prepared on the basis that any offer of securities in any Member State of the EEA or the UK will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of securities. The offering memorandum is not a prospectus for the purposes of the Prospectus Regulation.

References to Regulations or Directives include, in relation to the UK, those Regulations or Directives as they form part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 or have been implemented in UK domestic law, as appropriate.

## NOTICE TO INVESTORS IN JERSEY

No invitation will be made directly or indirectly to any person resident in Jersey to subscribe for any of the Notes. Neither the Jersey Financial Services Commission nor the Registrar of Companies in Jersey has provided consent to the circulation of the offering memorandum in Jersey and no action has been taken to permit any offer of the Notes in Jersey.

## INDUSTRY AND MARKET DATA

In this offering memorandum, we rely on and refer to information regarding our business and the markets in which we operate and compete. Unless otherwise indicated, we have generally obtained all information regarding market, market size, growth rate, development, trends and competitive position and other industry data pertaining to our business contained in this offering memorandum from industry publications, surveys or studies conducted by third-party sources, including Insurance Times, London Market Group, Lloyd's, McKinsey & Company, Fitch Solutions and IMAS and other sources mentioned in "*Industry Overview*," internal surveys and estimates and publicly available information. All of the information set forth in this offering memorandum relating to the operations, financial results or market share of our competitors has been obtained from information made available to the public in such companies' publicly available reports and independent research, as well as from our experience, estimates and investigation of market conditions.

Industry and consultant publications and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. While we believe that each of the studies and publications we have used is reliable, neither we nor the initial purchasers have independently verified the data that were extracted or derived from these industry and consultant publications or reports and cannot guarantee their accuracy or completeness. Market data and statistics are inherently uncertain and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market.

As we operate in a number of different markets, it is difficult to obtain precise or current industry and market information, which makes the available industry and market information incomplete or non-comparable. In those cases where there was no readily available or reliable external information to validate market-related analyses or estimates or the data conflicted with other data or was non-comparable or internally inconsistent, statements regarding the industries in which we operate and our position in these industries are based solely on our experience and estimates and our own investigation of market conditions. We cannot assure you that any of these estimates are accurate or correctly reflect our position in the industry and none of our internal surveys and estimates have or has been verified by any independent sources.

While we are not aware of any misstatements regarding the industry or similar data presented herein, such data involve risks and uncertainties and are subject to change based on various factors, including those discussed under "*Risk Factors*." As far as we are aware and have been able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Neither we nor the initial purchasers, however, make any representation as to the accuracy or completeness of any such information in this offering memorandum. Moreover, none of Insurance Times, London Market Group, Lloyd's, McKinsey & Company, Fitch Solutions and IMAS or any other third-party sources have assumed responsibility for any information included in this offering memorandum.

## FORWARD-LOOKING STATEMENTS

This offering memorandum contains statements under the captions "*Summary*," "*Risk Factors*," "*Industry Overview*," "*Business*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations* " and in other sections that are, or may be deemed to be, forward-looking statements. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the words "aims," "believes," "estimates," "anticipates," "expects," "intends," "may," "will," "plans," "predicts," "assumes," "shall," "continue" or "should" or, in each case, their negative or other variations or comparable terminology or by discussions of strategies, plans, objectives, targets, goals, future events or intentions. By their very nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond our control, including but not limited to those below. As a result, our actual future financial condition, performance and results may differ materially from the plans, goals and expectations set out in any forward-looking statements made by us.

Many factors may cause our results of operations, financial condition, liquidity and the development of the industries in which we operate to differ materially from those expressed or implied by the forward-looking statements contained in this offering memorandum. These factors include, among others:

- the impact of a further decline in the economic conditions due to the COVID-19 pandemic or the United Kingdom's exit from the European Union;

- the ability to fully realize our commercial and strategic vision;
- the impact of our selective acquisition strategy;
- our ability to retain our key personnel;
- our dependence on technology-based solutions to drive value for our clients, gain internal efficiencies and implement effective internal controls;
- interruption or loss of our information processing systems or failure to maintain secure information systems and technological changes;
- the ability to successfully implement various IT initiatives;
- our dependence on insurance companies and other capacity and product providers that give us underwriting capacity to distribute our products;
- volatility or declines in the premiums on which our commissions are based and declines in commission rates;
- risks relating to adjusted EBITDA-based financial information;
- risks relating to pro forma financial information;
- the potential for impairments of intangible assets;
- the impact of competition;
- damage to our business reputation;
- our exposure to potential regulatory sanctions and fines;
- the impact of privacy and data protection regulation;
- our exposure to regulatory, economic and business risks associated with maintaining offices abroad;
- legislative, taxation and regulatory changes, inquiries or enforcement actions, affecting our ability to operate or the profit generated from our activities;
- our exposure to potential liabilities arising from errors and omissions claims against us;
- our dependence on various proprietary technologies and the protection of our intellectual property for our continued success;
- the ability to comply with regulations and guidelines and our risks and compliance framework;
- liquidity risk;
- limited operating flexibility due to financial and restrictive covenants in our debt agreements;
- our ability to generate sufficient cash to service our indebtedness;
- our ability to implement hedges effectively;
- risks related to interest costs and reduction of cash flow;
- risks related to our substantial leverage;
- risks related to our capital structure, the Notes, the Notes Guarantees and other indebtedness;
- financial covenants; and
- the other factors discussed or referred to in this offering memorandum.

These risks and others described under "*Risk Factors*" are not exhaustive. Other sections of this offering memorandum describe additional factors that could adversely affect our results of operations, financial condition, liquidity and the development of the industries in which we operate. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results.

Any forward-looking statements are only made as of the date of this offering memorandum, and we do not intend, and do not assume any obligation, to update forward-looking statements set forth in this offering memorandum. You should interpret all subsequent written or oral forward-looking statements attributable to us or to persons acting on our behalf as being qualified by the cautionary statements in this offering memorandum. As a result, you should not place undue reliance on these forward-looking statements.

## PRESENTATION OF FINANCIAL INFORMATION

### Financial Information

#### *The Issuer*

The Issuer is a holding company that was formed on March 20, 2017 for the purpose of the 2017 Transactions (as defined herein) and other potential transactions and is not expected to engage in any activities other than those related to its formation, the 2017 Transactions, the Transactions and other future transactions permitted by the Indenture (as defined herein). Ardonagh Midco 1 Limited is the parent of the Issuer. The Issuer's only material assets and liabilities are expected to be its interests in Ardonagh Midco 3 plc, its outstanding indebtedness under the Notes, any other future indebtedness and certain inter-company balances, as well as other transactions not prohibited by the Indenture. We do not present in this offering memorandum any financial information or financial statements of the Issuer.

#### *The Ardonagh Group Limited*

In this offering memorandum, we include the historical consolidated financial information for The Ardonagh Group Limited ("**Topco**"), which is the indirect parent of the Issuer. As of the date of this offering memorandum, as compared to the Issuer, Topco has no other material assets, liabilities, income or expenses, other than its interests in Ardonagh Midco 1 Limited, the indirect parent company of the Issuer, certain inter-company balances and an equity-settled share-based payment scheme for certain employees within the Ardonagh Group, and conducts no other material business operations.

We present the historical consolidated financial information for Topco for the three months ended March 31, 2020 and 2019 and the years ended December 31, 2019 and 2018. In particular, this offering memorandum includes:

- the unaudited interim condensed consolidated financial statements of Topco as of and for the three months ended March 31, 2020 and 2019, including the notes thereto (the "**Ardonagh Q1 2020 Unaudited Interim Financial Statements**"), which have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting* ("**IAS 34**");
- the audited consolidated financial statements of Topco as of and for the year ended December 31, 2019, including the notes thereto, which have been audited by Deloitte LLP (the "**Ardonagh 2019 Audited Financial Statements**") and have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**"); and
- the audited consolidated financial statements of Topco as of and for the year ended December 31, 2018, including the notes thereto, which have been audited by Deloitte LLP (the "**Ardonagh 2018 Audited Financial Statements**", together with the Ardonagh 2019 Audited Financial Statements, the "**Ardonagh Audited Financial** Statements" and together with the Ardonagh Q1 2020 Unaudited Interim Financial Statements and the Ardonagh 2019 Audited Financial Statements, the "**Ardonagh Financial Statements**") and have been prepared in accordance with IFRS.

Unless otherwise indicated, the financial information as of and for the year ended December 31, 2018 included in this offering memorandum is derived from the Ardonagh 2019 Audited Financial Statements and the financial information as of and for the three months ended March 31, 2019 included in this offering memorandum is derived from the Ardonagh Q1 2020 Unaudited Interim Financial Statements.

In the Ardonagh 2019 Audited Financial Statements, the consolidated statement of financial position as of December 31, 2018 and the consolidated statements of profit or loss and other comprehensive income and of cash flows for the year ended December 31, 2018, were restated principally to reflect the recognition of a deferred tax asset, and related impact in the tax credit line item, in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. The adjustment increased deferred tax assets and decreased retained losses in the statement of financial position by £32.4 million as of December 31, 2018, and it increased the tax credit in the income statement for the year ended December 31, 2018 by £8.9 million (see note 30 in the Ardonagh 2019 Audited Financial Statements). In addition, in the consolidated statement of financial position as of December 31, 2018 included in the Ardonagh 2019 Audited Financial Statements, we subsumed the share-payment reserve of £0.2 million, which was previously presented separately, within retained losses and reclassified £0.1 million related to the purchase of own shares from retained losses to a treasury shares reserve. Therefore, the consolidated statement of financial position as of December 31, 2018 and the consolidated statements of profit or loss and other comprehensive income and of cash flows for the year ended December 31, 2018 presented in this offering memorandum differ from the consolidated statement of financial position as of December 31, 2018 and from the consolidated statements of profit or loss and other comprehensive income and of cash flows for the year ended December 31, 2018 included in the Ardonagh 2018 Audited Financial Statements also included in this offering memorandum. The Ardonagh 2018 Audited Financial Statements, together with Deloitte LLP's audit report thereon, should be read in the context of the Ardonagh 2019 Audited Financial Statements, which present these subsequent restatements, together with Deloitte LLP's audit report thereon.

Similarly, the unaudited interim condensed consolidated statements of profit or loss and other comprehensive income and of cash flows for the three months period ended March 31, 2019, included in the Ardonagh Q1 2020 Unaudited Interim Financial Statements, have been restated to reflect (i) the impact of the deferred tax asset described in the paragraph above which increased deferred tax assets and decreased retained losses in the statement of financial position by £34.7 million as of March 31, 2019 and increased the tax credit in the income statement for the three months ended March 31, 2019 by £2.3 million and (ii) the reclassification of the item "derecognition of assets following a sale of business" presented in the amount of £0.8 million to "depreciation, amortization and impairment of non-financial assets" in the unaudited condensed interim consolidated statement of profit or loss and other comprehensive income. Therefore, the unaudited condensed interim consolidated statements of profit or loss and other comprehensive income and of cash flows for the three months period ended March 31, 2019 presented in this offering memorandum differ from the unaudited condensed interim consolidated statements of profit or loss and other comprehensive income and of cash flows for the three months period ended March 31, 2019, included in the Ardonagh unaudited interim financial statements as of and for the three months ended March 31, 2019.

Topco adopted IFRS 16 (Leases) ("**IFRS 16**") on January 1, 2019 and recognized £0.1 million as an increase in equity as a result of the adoption. Topco adopted IFRS 16 by applying the modified retrospective approach, which requires the cumulative effect of the initial application of IFRS 16 to be recognized as an adjustment to the opening balance of retained earnings on January 1, 2019, the date of initial application, without restating prior years. On adoption, right of use assets and lease liabilities were brought onto the balance sheet for £64.3 million and £71.1 million, respectively, and related depreciation and interest expense charges are recognized in the statement of profit or loss and other comprehensive income, instead of rental charges. The Ardonagh 2018 Audited Financial Statements do not reflect the changes from the application of IFRS 16. Those financial statements applied International Accounting Standard (**"IAS"**) 17, Leases, which was the accounting standard in effect at that time for that period.

In the three months ended March 31, 2020, we revised the presentation of our reportable segments and restated the comparative segment information to reflect the new structure. Currently, our three reportable segments, representing our three platforms comprise: Ardonagh Advisory, Ardonagh Retail and Ardonagh Specialty. Ardonagh Advisory is a reportable segment comprised of four operating segments: Towergate Insurance Brokers, Riskline, Health and Protection and Footman James. Ardonagh Retail is a reportable segment comprised of three operating segments: Retail, Paymentshield and Schemes & Programmes. Ardonagh Specialty is a reportable segment comprised of two operating segments: Specialty & International and MGA. We also maintain Corporate, a non-operating segment comprised of central costs and income not allocated to the operating segments. In this offering memorandum, we have modified the presentation of our reportable segments for the years ended December 31, 2019 and 2018 to make it consistent with the current presentation as we believe it provides useful information on a comparative basis.

The financial information included in this offering memorandum is not intended to comply with the SEC's reporting requirements.

*Unaudited Financial Information Pro Forma for Completed Transactions*

In this offering memorandum, we also present certain unaudited financial information prepared by management to give pro forma effect to certain completed transactions as if they had occurred on the first day of the period or the comparative period, as applicable, which is referred to as "*Pro Forma for Completed Transactions*." Financial Information Pro Forma for Completed Transactions does not include any impact from the Bravo, Arachas or Bennetts acquisitions. See "*Summary Historical Financial Information and Other Data—Other Consolidated Financial and Pro Forma Data.*"

Such unaudited Financial Information Pro Forma for Completed Transactions is presented for informational purposes as management believes this information is useful as supplemental information to enable comparisons between these periods on a like-for-like basis. Such information should not be considered indicative of actual results that would have been achieved had the transactions described above been completed on the dates indicated and does not purport to indicate our future consolidated results of operations or financial position. Such information has been derived from internal management accounts and has not been audited, reviewed, verified or subject to any procedures by any auditing firm. It has not been prepared in accordance with the requirements of Regulation S-X of the Securities Act, the Prospectus Regulation or any generally accepted accounting standards. You should fully take this into consideration before you place any reliance on this information.

Such information should be read in conjunction with "Selected Historical Financial Information and Other Data," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Ardonagh Financial Statements included elsewhere in this offering memorandum. See also "*—Non-IFRS Financial Measures*" below and "*Risk Factors—Risks Related to Our Business and Industry—Certain pro forma financial and other information included herein needs to be carefully considered*." You should not place any undue reliance on the unaudited Financial Information Pro Forma for Completed Transactions.

*Other Financial Information*

This offering memorandum includes certain unaudited financial information on an as adjusted basis to give effect to the Transactions and the application of the proceeds therefrom, including on our cash and cash equivalents and capitalization as if such transactions had occurred on March 31, 2020 and on our interest expense as if such transactions had occurred on April 1, 2019. The as adjusted financial information has been prepared for illustrative purposes only and does not represent what our debt would have been had such transactions occurred on March 31, 2020, or what our interest expense would have been had such transactions occurred on April 1, 2019 nor does it purport to project our debt or interest expense at any future date. The as adjusted financial information has not been prepared in accordance with IFRS. Neither the assumptions underlying such adjustments nor the resulting as adjusted financial information have been audited or reviewed in accordance with any generally accepted auditing or review standards.

**Non-IFRS Financial Measures**

This offering memorandum contains Adjusted EBITDA-based measures and ratios, including Adjusted EBITDA, Adjusted EBITDA margin, Adjusted EBITDA Pro Forma for Completed Transactions, Pro Forma Adjusted EBITDA, Reported EBITDA and Total Pro Forma Adjusted EBITDA ("**Adjusted EBITDA-based measures**") and capital expenditures, group management cash flow, net cash and cash equivalents, organic growth and operating cash conversion, (together with the Adjusted EBITDA-based measures, the "**non-IFRS measures**"), that are not required by, or presented in accordance with, IFRS. Our non-IFRS measures are defined by us as set out below.

We define "***Adjusted EBITDA***" as Reported EBITDA after adding back management reconciling items. See "*Summary Historical Financial Information and Other Data—Other Consolidated Financial and Pro Forma Data.*" We also present Adjusted EBITDA by reportable segment.

We define "***Adjusted EBITDA margin***" as Adjusted EBITDA divided by Total Income expressed as a percentage.

We define "***Available Cash***" as our total cash and cash equivalents excluding fiduciary funds and TC 2.4 restricted cash. Fiduciary cash consists of client money and insurer money in respect of insurance premiums, return premiums and claims payments due to insurance companies, insurance brokers and policyholders. TC 2.4 restricted cash consists of cash deposits kept for purposes of solvency and capital adequacy requirements imposed by the FCA.

We define "***capital expenditures***" as purchase of intangible fixed assets and purchase of property, plant and equipment.

We define "***management reconciling items***" as discontinued operations, restructuring costs, transformational hires, business transformation costs (other than restructuring costs), regulatory costs, acquisition and financing costs, profit/loss on disposal of businesses and investments (unless a discontinued operation), legacy costs and other costs.

We define "***operating cash conversion***" as Adjusted EBITDA less business working capital movement (excluding fiduciary working capital movement and working capital movement related to management reconciling items) and maintenance capital expenditure (which excludes renewal rights for books of business), divided by Adjusted EBITDA.

We define "***organic growth***" as growth in Total Income excluding (i) the impact of acquired or exited businesses for 12 months post-acquisition or exit, (ii) the acquisition of Swinton due to the planned optimization of the product portfolio (including targeted reduction in less profitable business), (iii) closed back-books, accounting changes and other non-recurring items from both periods, and (iv) the impact of changes in foreign exchange rate.

We define "***Pro Forma for Completed Transactions***" as adjustments to: (a) include the results of new acquisitions from the first day of the immediately preceding comparative year, (b) remove the results and gain or loss on disposal of discontinued operations, and of other business disposals from the current and prior year, where they have occurred prior to the end of the reporting period, and (c) reflect financing transactions as if they had occurred on the first day of the prior year.

We define "***Pro Forma Adjusted EBITDA***" as Adjusted EBITDA Pro Forma for Completed Transactions, plus annualized cost savings and synergies and other adjustments.

We define "***Reported EBITDA***" as loss for the period after adding back finance costs (including, from January 1, 2019, effective interest on lease liabilities), tax, depreciation (including, with effect from January 1, 2019, depreciation of lease right-of-use assets), amortization, impairment of non-financial assets, profit/loss on disposal of non-financial assets (except for right-of-use assets in the year of transition to IFRS 16), foreign exchange movements, adjustments to goodwill in respect of prior years and fair value gain/loss on derivatives.

We define "***Total Income***" as the sum of commission and fees, other income, investment income and finance income.

We define "***Total Pro Forma Adjusted EBITDA***" as Pro Forma Adjusted EBITDA for the Ardonagh Group, plus the Pro Forma Adjusted EBITDA contribution from the Bravo Acquisition, the Arachas Acquisition and the Bennetts Acquisition.

We define ***"Total Pro Forma Income"*** as Total Income Pro Forma for Completed Transactions for the Ardonagh Group, plus the Total Income Pro Forma for Completed Acquisitions contribution from the Bravo Acquisition, the Arachas Acquisition and the Bennetts Acquisition.

We present these non-IFRS measures because we believe that they are widely used by securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-IFRS measures may not be comparable to other similarly titled measures of other companies and should not be considered in isolation or be used as a substitute for an analysis of our operating result as reported under IFRS. Non-IFRS measures and ratios are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to net profit/loss for the period or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities. The non-IFRS measures have limitations as analytical tools. Some of these limitations are:

- they do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments, on our debts;
- although amortization and depreciation are non-cash charges, the assets being depreciated and amortized will often need to be replaced in the future and certain of these non-IFRS measures do not reflect any cash requirements that would be required for such replacements;
- they are not adjusted for all non-cash income or expense items that are reflected in our statements of cash flows;
- they may differ from similarly titled measures presented by other companies;
- some of the exceptional items that we eliminate in calculating Adjusted EBITDA-based measures, reflect cash payments that were made, or will in the future be made; and

- the further adjustments made in calculating Adjusted EBITDA-based measures are those that management consider are not representative of the underlying operations of the Ardonagh Group and therefore are subjective in nature.

***Adjusted EBITDA-Based Measures***

In evaluating Adjusted EBITDA-based measures, you should be aware that, as an analytical tool, Adjusted EBITDA-based measures are subject to certain limitations. Adjusted EBITDA-based measures are not a measurement of performance or liquidity under IFRS and you should not consider Adjusted EBITDA-based measures as an alternative to (i) profit (as determined in accordance with IFRS) as a measure of our performance, (ii) cash flow for the period as a measure of our ability to meet our cash needs or (iii) any other measure of performance or liquidity under IFRS. We present Adjusted EBITDA-based measures as we believe that they are a measure commonly used by investors and are a measure that we use in managing each of our businesses.

Adjusted EBITDA-based measures are included in this offering memorandum because we believe that they provide a useful measure of our results of operations; however, these measures do not constitute measures of financial performance under IFRS and you should not consider Adjusted EBITDA-based measures as an alternative to profit or any other performance measure derived in accordance with IFRS or as a measure of our results of operations or liquidity. Other companies, including those in our industry, may calculate similarly titled financial measures differently from us, and therefore such financial measures may not be comparable to other similarly titled measures of other companies.

The unaudited Adjusted EBITDA, Adjusted EBITDA Pro Forma for Completed Transactions, Reported EBITDA, Pro Forma Adjusted EBITDA and Total Pro Forma Adjusted EBITDA information presented in this offering memorandum is inherently subject to risks and uncertainties. It does not present our reported results of operations for the twelve months ended March 31, 2020, and is not comparable to the Ardonagh Financial Statements or other financial information included elsewhere in this offering memorandum. In addition, the Adjusted EBITDA, Adjusted EBITDA Pro Forma for Completed Transactions, Reported EBITDA, Pro Forma Adjusted EBITDA and Total Pro Forma Adjusted EBITDA information does not purport to indicate our future consolidated results of operations. Our actual results may differ significantly from those reflected in our Adjusted EBITDA, Adjusted EBITDA Pro Forma for Completed Transactions, Reported EBITDA, Pro Forma Adjusted EBITDA and Total Pro Forma Adjusted EBITDA. The calculations of Adjusted EBITDA, Adjusted EBITDA Pro Forma for Completed Transactions, Reported EBITDA, Pro Forma Adjusted EBITDA and Total Pro Forma Adjusted EBITDA are based on various assumptions and management estimates. The unaudited Adjusted EBITDA, Adjusted EBITDA Pro Forma for Completed Transactions, Reported EBITDA, Pro Forma Adjusted EBITDA and Total Pro Forma Adjusted EBITDA information is inherently subject to risks and uncertainties and may not give an accurate or complete picture of the financial condition or results of operations of Bravo, Arachas or Bennetts Entities prior to being acquired by us or may not be comparable to our consolidated financial statements or the other financial information included in this offering memorandum and should not be relied upon when making an investment decision. See also "*Risk Factors—Risks Related to Our Business and Industry—The unaudited Total Pro Forma Adjusted EBITDA information presented is inherently subject to risks and uncertainties*."

For a reconciliation of Adjusted EBITDA to our profit or (loss) for the period and a reconciliation of Adjusted EBITDA Pro Forma for Completed Transactions and Pro Forma Adjusted EBITDA information to our pro forma profit or (loss) for the period, see "*Summary Historical Financial Information and Other Data—Other Consolidated Financial and Pro Forma Data.*"

Adjusted EBITDA, Adjusted EBITDA Pro Forma for Completed Transactions, Pro Forma Adjusted EBITDA and Total Pro Forma Adjusted EBITDA as used in this offering memorandum are not calculated in the same manner in which "Consolidated EBITDA" is calculated pursuant to the Indenture governing the Notes as described under "*Description of the Notes*" or for purposes of any of our other indebtedness.

***LTM Financial Information***

Financial information for the twelve months ended March 31, 2020 for Topco presented in this offering memorandum was calculated by taking the results of operations for the three months ended March 31, 2020 and adding it to the difference between the results of operations for the year ended December 31, 2019 and the three months ended March 31, 2019. The financial information for the twelve months ended March 31, 2020 is not necessarily indicative of the results that may be expected for the year ended December 31, 2020 and should not be used as the basis for or prediction of an annualized calculation. Such financial information is a non-IFRS measure.

### Rounding

Certain numerical figures set out in this offering memorandum, including financial information presented in millions or thousands and percentages describing market shares, have been subject to rounding adjustments and, as a result, the totals of the data in this offering memorandum may vary from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other information set forth in this offering memorandum, in particular "*Summary Historical Financial Information and Other Data"* and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" are calculated using the rounded numerical data included in this offering memorandum and not the numerical data in the Ardonagh Financial Statements or the relevant entity's internal accounting system. With respect to financial information set out in this offering memorandum, a dash ("—") signifies that the relevant figure is zero or rounded to zero.

## CERTAIN DEFINITIONS

Unless otherwise specified or the context requires otherwise in this offering memorandum:

- "**2017 Acquisitions**" mean, collectively, the acquisition of controlling interests in URIS Group Limited (formerly Direct Group Limited) and Chase Templeton Limited, the acquisition of the shares of Nevada by Topco, and, through that acquisition, the acquisition of the majority shares of Price Forbes Investment Holdings Limited and Autonet Insurance Services Limited, each of which completed June 22, 2017;
- "**2017 Transactions**" mean, collectively, (i) the 2017 Acquisitions, (ii) the Nevada Push-Down, (iii) the issuance of the Issuer's £400.0 million of sterling-denominated senior secured notes and $520.0 million of dollar-denominated senior secured notes and the repayment of certain of our existing indebtedness with a portion of the proceeds and (iv) the entry into the Existing Revolving Credit Facility Agreement;
- "**Adjusted EBITDA Pro Forma for Completed Transactions**" means Adjusted EBITDA adjusted to give pro forma effect to certain completed transactions as if they had occurred on the first day of the period or the comparative period;
- "**APS**" means Ardonagh Portfolio Solutions;
- "**Arachas**" means Arachas Topco Limited;
- "**Arachas Acquisition**" means the acquisition of Nevada 5 TopCo in accordance with the terms of the Arachas Acquisition Agreement;
- "**Arachas Acquisition Agreement**" means the share purchase agreement dated by and among Ardonagh Services Limited and funds managed by MDP with regards to the acquisition of shares in Nevada 5 TopCo, which is the holding company of Arachas;
- "**Arachas Guarantor**" means a subsidiary of Arachas that provides a guarantee under the Senior Secured Credit Facilities Agreement, which is expected to be Arachas Corporate Brokers Limited;
- "**Ardonagh Advisory**" has the meaning given to that term in "*Business—Platforms—Ardonagh Advisory"*;
- "**Ardonagh Retail**" has the meaning given to that term in "*Business—Platforms—Ardonagh Retail"*;
- "**Ardonagh Specialty**" has the meaning given to that term in "*Business—Platforms—Ardonagh Specialty"*;
- "**Autonet**" means Atlanta 1 Insurance Services Limited (formerly Autonet Insurance Services Limited) and its subsidiaries;
- "**Bennetts**" or "**Bennetts Guarantor**" means Bennetts Motorcycling Services Ltd;
- "**Bennetts Acquisition**" means the acquisition of Bennetts in accordance with the terms of the Bennetts Acquisition Agreement;
- "**Bennetts Acquisition Agreement**" means the share purchase agreement dated February 14, 2020 by and among Atlanta Investment Holdings C Limited, Atlanta Investment Holdings 2 Limited and Saga Services Limited with regards to the acquisition of shares in Bennetts;
- "**Bravo**" means Bravo Investment Holdings Limited;
- "**Bravo Acquisition**" means the acquisition of Nevada 4 in accordance with the terms of the Bravo Acquisition Agreement;
- "**Bravo Acquisition Agreement**" means the share purchase agreement dated by and among Ardonagh Advisory Holdings Limited and funds managed by HPS and MDP with regards to the acquisition of shares in Nevada 4, which is the holding company of Bravo;
- "**Bravo Guarantors**" means each of the subsidiaries of Bravo that provides a guarantee under the Senior Secured Credit Facilities Agreement, which entities are expected to be Bravo Investment Holdings 3 Limited, Bravo Investment Holdings 4 Limited, The Broker Network Limited, Finch Commercial Insurance Brokers Ltd, Hawkwood Investment Holdings Limited and Verulam Holdings Limited;
- "**CAR Facility**" has the meaning given to that term in "*Description of Other Indebtedness and Financing Arrangements—Senior Secured Credit Facilities Agreement*";
- "**Carole Nash**" means Carole Nash Insurance Consultants Limited;
- "**Chase Templeton**" means Chase Templeton Holdings Limited and its subsidiaries;
- "**Corporate**" has the meaning given to that term in "*Business—Platforms—Corporate"*;
- "**Deloitte**" means Deloitte LLP;

- "**EEA**" means European Economic Area;
- "**ETV**" means enhanced transfer value;
- "**Existing Dollar Notes**" means the USD $520,000,000 8.625% senior secured notes due 2023 issued on June 20, 2017 and the Mirror Notes;
- "**Existing Notes**" means, collectively, the Existing Dollar Notes and the Existing Sterling Notes;
- "**Existing Revolving Credit Facility**" means the super senior revolving credit facility made available under the Existing Revolving Credit Facility Agreement;
- "**Existing Revolving Credit Facility Agreement**" means the revolving credit facility agreement originally dated May 25, 2017 (as amended and/or restated from time to time) among, *inter alios*, the Original Guarantor, as parent, original borrower and original guarantor and the other parties as described therein, which is being cancelled in connection with the Transactions;
- "**Existing Sterling Notes**" means the £553,300,000 in aggregate principal amount of its 8.375% senior secured notes due 2023;
- "**FCA**" means Financial Conduct Authority;
- "**Financing**" means the Financing as described further in "*Summary—The Transactions—The Financing*";
- "**Finco**" means Ardonagh Finco plc (formerly TIG Finco plc);
- "**Guarantors**" means the Original Guarantor, the Post-Closing Guarantors, the Bravo Guarantors, the Arachas Guarantor and the Bennetts Guarantor;
- "**GWP**" means gross written premium;
- "**Healthy Pets**" means Healthy Pets Limited;
- "**HIG**" means the Health Insurance Group;
- "**HPS**" means HPS Investment Partners, LLC and/or any funds and/or accounts managed and/or advised by HPS Investment Partners, LLC;
- "**IFRS**" means the International Financial Reporting Standards, as adopted by the European Union;
- "**Indenture**" means the indenture to be dated on or about , 2020, by and among, *inter alios*, the Issuer and Ankura Trust Company, LLC, as trustee and as security agent, as supplemented and amended from time to time;
- "**Intercreditor Agreement**" means the intercreditor agreement, to be dated on or prior to the Issue Date, among, *inter alios*, the Issuer, the Original Guarantor, the lenders under the Senior Secured Credit Facilities Agreement, the administrative agent under the Senior Secured Credit Facilities Agreement, the Trustee, and Ankura Trust Company, LLC as security agent, as amended from time to time. See "*Description of Other Indebtedness and Financing Arrangements—Intercreditor Agreement*";
- "**Issue Date**" means the date of the issuance of the Notes offered hereby;
- "**Issuer**" means Ardonagh Midco 2 plc;
- "**LC Facility**" means a £50.0 million ancillary facility under the Existing Revolving Credit Facility made available for the benefit of Towergate Financial solely to provide credit support in respect of potential redress liabilities relating to the sale of certain ETV products;
- "**LC Facility Agreement**" means the agreement dated September 26, 2018 with the relevant issuer bank;
- "**Lloyd's of London**" means the insurance and reinsurance market located in London;
- "**London Market**" means the international London commercial and specialty risk insurance market;
- "**Mastercover**" means MasterCover Insurance Consultants Limited;
- "**MDP**" means Madison Dearborn Partners, LLC and/or any funds and/or accounts managed and/or advised by Madison Dearborn Partners LLC;
- "**MGA**" is an operating segment and has the meaning given to that term in "*Business—Platforms—Ardonagh Specialty—MGA";* it is also used an as acronym that stands for "managing general agent";
- "**MHG**" means Minton House Group;
- "**Midco 2**" means Ardonagh Midco 2 plc;

- "**Mirror Notes**" means the USD $235,000,000 8.625% senior secured notes due 2023 issued on November 19, 2018.
- "**Nevada**" means Nevada Investments Topco Limited;
- "**Nevada 2**" means Nevada Investment Holdings 2 Limited;
- "**Nevada 3**" means Nevada Investment Holdings 3 Limited;
- "**Nevada 3 Transactions**" means the acquisition by The Ardonagh Group of Nevada 2 and, through such transaction, the acquisition of Nevada 3 and its subsidiaries, Minton House Group Limited, Health and Protection Solutions Limited and Professional Fee Protection Limited;
- "**Nevada 3 Transactions Entities**" mean PfP, MHG and HIG;
- "**Nevada 4"** means Nevada 4 Midco 1 Limited;
- "**Nevada 5 TopCo"** means Nevada Investment Holdings 5 Limited;
- "**Nevada Companies**" mean Price Forbes, Autonet, URIS Group (formerly Direct Group) and Chase Templeton;
- "**Nevada Push Down**" means the series of push-down transactions through which, in connection with the completion of the 2017 Acquisitions, Topco transferred Nevada to Finco and through which, also in connection with the completion of the 2017 Acquisitions, the Issuer became the parent company of Finco and its subsidiaries and the indirect parent company of Nevada;
- "**New Revolving Credit Facility**" means the "Revolving Credit Facility" as defined in "*Description of Other Indebtedness and Financing Arrangements—Senior Secured Credit Facilities Agreement*";
- "**Notes**" means the $500 million aggregate principal amount of the Issuer's % / % Senior PIK Toggle Notes due 2026 offered hereby;
- "**Notes Guarantees**" has the meaning given to that term in *Summary—The Offering*;
- "**Offering**" means the offering of the Notes pursuant to this offering memorandum;
- "**Original Guarantor**" means Ardonagh Midco 3 plc;
- "**Paymentshield**" is an operating segment and has the meaning given to that term in "*Business—Platforms—Ardonagh Retail—Paymentshield"*;
- "**PCW**" means price comparison website;
- "**PfP**" means Professional Fee Protection Limited;
- "**Post-Closing Guarantors**" means each of the subsidiaries of the Issuer that provides a guarantee under the Senior Secured Credit Facilities Agreement, which entities are expected to be Ardonagh Finco Plc, Ardonagh Advisory Holdings Limited, Ardonagh Services Limited, Ardonagh Specialty Holdings Limited, Atlanta 1 Insurance Services Limited, Bishopsgate Insurance Brokers Limited, Carole Nash Insurance Consultants Limited, Geo Underwriting Services Limited, Health and Protection Solutions Limited, Paymentshield Limited, Price Forbes & Partners Limited, Swinton Group Limited, Towergate Underwriting Group Ltd, URIS Group Limited;
- "**Price Forbes**" means Price Forbes Holdings Limited and its subsidiaries;
- "**Retail**" is an operating segment and has the meaning given to that term in "*Business—Platforms—Ardonagh Retail—Retail"*;
- "**Rural**" means certain business and assets that we acquired from Rural Insurance Group Limited on February 28, 2020;
- "**Schemes & Programmes**" is an operating segment and has the meaning given to that term in "*Business—Platforms—Ardonagh Retail—Paymentshield"*;
- "**Secured Credit Facilities**" has the meaning given to that term in "*Description of Other Indebtedness and Financing Arrangements—Senior Secured Credit Facilities Agreement*";
- "**Senior Secured Credit Facilities Agreement**" has the meaning given to that term in "*Description of Other Indebtedness Financing Arrangements—Senior Secured Credit Facilities Agreement*";
- "**Specialty & International**" is an operating segment and has the meaning given to that term in "*Business—Platforms—Ardonagh Specialty—Specialty & International"*;
- "**Swinton**" means Swinton (Holdings) Limited;
- "**Swinton Acquisition**" means the acquisition of the shares of Swinton (Holdings) Limited pursuant to the terms of the Swinton Acquisition Agreement;

- "**Swinton Acquisition Agreement**" means the share purchase agreement dated September 27, 2018 pursuant to which the Issuer, as guarantor, and Atlanta Investment Holdings B Limited have agreed to acquire the entire issued share capital of Swinton from MMA Holdings UK Plc;
- "**Swinton Group**" means Swinton and its subsidiaries;
- "**Term Facility**" has the meaning given to that term in "*Description of Other Indebtedness Financing Arrangements—Senior Secured Credit Facilities Agreement*";
- "**The Ardonagh Group**," "**Group**," "**we**," "**us**" and "**our**" refer to the Issuer and its subsidiaries;
- "**Topco**" means The Ardonagh Group Limited;
- "**Towergate**" means Towergate Insurance Limited;
- "**Towergate Financial**" means Towergate Financial (East) Limited, Towergate Financial (Scotland) Limited and Towergate Financial (West) Limited;
- "**Transactions**" mean, collectively, the transactions described under "*Summary—The Transactions*";
- "**Trustee**" means Ankura Trust Company, LLC;
- "**UK GAAP**" means FRS102: The Financial Reporting Standard Applicable in the UK and Republic of Ireland and FRS 104: Interim Financial Reporting, collectively or individually as the context may require;
- "**URIS Group**" means URIS Group Limited (formerly Direct Group Limited) and its consolidated subsidiaries; and
- "**US Securities Act**" means the US Securities Act of 1933, as amended.

## SUMMARY

*This summary highlights information contained elsewhere in this offering memorandum. The summary below does not contain all the information that you should consider before investing in the Notes. The following summary should be read in conjunction with and is qualified in its entirety by the more detailed information included elsewhere in this offering memorandum. You should carefully read the entire offering memorandum to understand our business, the nature and terms of the Notes and the tax and other considerations which are important to your decision to invest in the Notes, including the more detailed information in the consolidated financial statements and the related notes included elsewhere in this offering memorandum, before making an investment decision. Please see the section entitled "Risk Factors" for factors that you should consider before investing in the Notes and the section entitled "Forward-Looking Statements" for information relating to the statements contained in this offering memorandum that are not historical facts.*

### Our Company

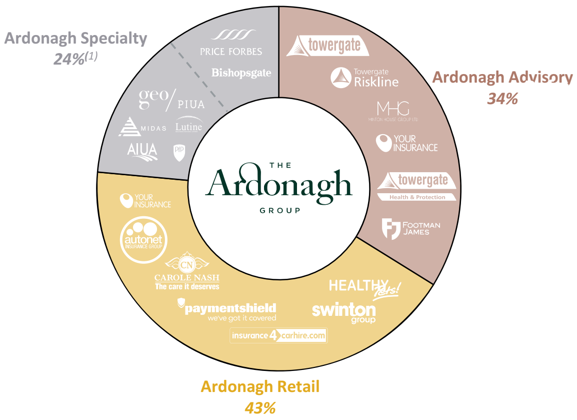
We are the largest independent insurance broker in the United Kingdom and amongst the largest globally (as ranked by total income), providing a full range of insurance products and services across commercial, personal and wholesale insurance markets. We serve a wide range of clients that include large corporations, small and medium enterprises ("**SMEs**"), individual consumers, and other third-party brokers and managing general agents ("**MGAs**"). We work with insurers to design, price, and administer insurance-related products and services that meet a wide variety of market needs, without assuming any underwriting or principal risk. For the twelve months ended March 31, 2020, we generated Total Income Pro Forma for Completed Transactions of £673.9 million and Pro Forma Adjusted EBITDA of £222.2 million. Including the acquisitions of Arachas, Bravo and Bennetts, we would have generated Total Pro Forma Income of £814.2 million and Total Pro Forma Adjusted EBITDA of £275.5 million. See "*Summary Historical Financial Information and Other Data.*"

The Ardonagh Group was created in June 2017 by assembling a highly experienced senior management team and by combining a number of market-leading insurance service providers into a single multi-product and multi-channel platform. Since our creation, we have continued to build our platform through a combination of a sustained focus on organic growth (3.5% for the year ended December 31, 2017, 2.5% for the year ended December 31, 2018, 3.0% for the year ended December 31, 2019 and 3.5% excluding Swinton (4.5% excluding Swinton and the estimated impact of COVID-19) for the three months ended March 31, 2020), a highly disciplined expense strategy (£82.4 million of cost-savings realized since inception, £10.7 million expected in the next twelve months from actions already implemented, and £19.7 million expected from actions that will be implemented over the next twelve months), and a selective acquisition program (sixteen acquisitions since the formation of Ardonagh including the pending acquisitions of Arachas, Bravo and Bennetts), which includes a standardized approach to integration and synergy delivery. Arachas is the leading independent commercial insurance distribution platform in the Republic of Ireland, Bravo is the UK's largest network of independent insurance brokers and a leading consolidator in the UK insurance market, and Bennetts is a leading brand in the motorcycle insurance market.

Our insurance products, which we distribute across multiple channels, are tailored to serve our diverse customer base, ranging from higher value and lower volume bespoke corporate insurance products placed in the London Market, to lower value and higher volume personal lines insurance products distributed through price comparison websites ("**PCWs**"). Each aspect of our business is highly diversified with limited concentration or dependence on any single product, channel, carrier, income producer, or supplier. We combine this diversified operating model with a highly collaborative culture across the Group to provide our clients, carriers, and employees with a best-in-class product and service offering.

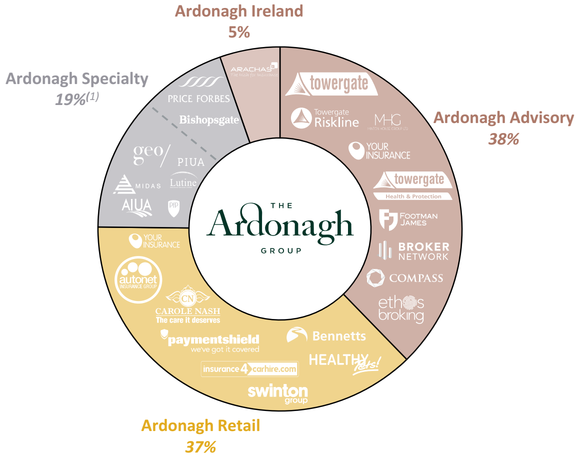
Our business is currently organized into three reportable segments, which we refer to as platforms, that focus on distinct but complementary aspects of the insurance brokerage and services market, and will include a fourth platform following the acquisition of Arachas: Ardonagh Advisory (primarily commercial lines and including Bravo post-acquisition), Ardonagh Retail (primarily digital-focused personal lines and including Bennetts post-acquisition), Ardonagh Specialty (primarily corporate, wholesale, MGA and APS), and Ardonagh Ireland (Arachas post-acquisition, primarily commercial lines). See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting Comparability Between Periods—Reporting Segments*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Segmental Results of Operations—Three Months Ended March 31, 2020 Compared to the Three Months Ended March 31, 2019.*"

**Before the Transactions (LTM March 31, 2020)**




Total Income Pro Forma for Completed Transactions: £673.9 million

**After the Transactions (LTM March 31, 2020)**




Total Pro Forma Income: £814.2 million

1) *Includes central Corporate income of £6.7 million.*

### *Ardonagh Advisory*

The Ardonagh Advisory platform provides insurance broking products and advice on insurance and risk management to SMEs, large corporations and individual customers. For the twelve months ended March 31, 2020, Ardonagh Advisory generated £228.0 million of Total Income Pro Forma for Completed Transactions and £75.3 million of Pro Forma Adjusted EBITDA (excludes acquisition of Bravo).

As a trusted advisor, we offer tailored insurance broking services to our clients via in-person, telephonic, and online communications, providing them with a broad range of choices and access to specialist products and solutions. We also provide standard non-specialist insurance products tailored to specific sectors or risks that may be more difficult to place elsewhere in the insurance market. The primary lines of coverage in our Advisory platform include motor fleet, commercial, property, liability, professional indemnity, and contractors.

Ardonagh Advisory maintains a strong community focus through our network of 66 local offices across the United Kingdom which is enhanced by our growing online and telephonic channel. SME insurance intermediary products require industry and customer expertise to develop and market effectively, and we believe that SME customers value direct relationship management and advisory services when purchasing such specialized products, which we are able to provide via our local office network.

The acquisition of Bravo is closely aligned with our Advisory platform given its predominant SME focus, and we expect to realize synergies primarily from product and capacity placement optimization. Bravo's segments comprise two network services providers to regional insurance brokers (Broker Network and Compass) as well as an insurance brokerage acquisition platform (Ethos Broking). See "*The Transactions—The Bravo Acquisition.*"

### *Ardonagh Retail*

The Ardonagh Retail platform is a primarily digital-focused personal lines platform offering a range of home, car, and specialist products such as van insurance. For the twelve months ended March 31, 2020, Ardonagh Retail generated £287.2 million of Total Income Pro Forma for Completed Transactions and £108.8 million of Pro Forma Adjusted EBITDA (excluding acquisition of Bennetts).

We utilize a data-led distribution strategy focused on online channels, including PCW, complemented by traditional call center support, as well as through third party intermediaries consisting of mainly independent financial advisors and mortgage brokers. We are the UK's largest van broker, and additional areas of our expertise include property-related insurance solutions such as buildings and contents insurance, non-standard household, mortgage payment protection insurance, and landlord insurance products through our Paymentshield brand, which is the largest distributor of such products via independent financial advisors and mortgage brokers in the UK. We also offer a broad range of other specialist products.

The acquisition of Bennetts will provide our Ardonagh Retail platform with additional scale and product capabilities in the highly attractive motorbike insurance sector.

***Ardonagh Specialty***

The Ardonagh Specialty platform combines expertise in specialist underwriting with the placing of bespoke complex risks into Lloyd's of London and the London Market. This platform includes our Lloyd's of London brokerage, managing general agency ("**MGA**"), and Ardonagh Portfolio Solutions ("**APS**") businesses. For the twelve months ended March 31, 2020, Ardonagh Specialty generated £152.0 million of Total Income Pro Forma for Completed Transactions and £49.6 million of Pro Forma Adjusted EBITDA.

Our Lloyd's of London brokers, Price Forbes and Bishopsgate, provide UK and international corporate clients with access to specialist sector insurance products covering a wide range of markets, including energy, North American property, marine, power, aviation, specie, cargo, mining, and terrorism.

MGA primarily focuses on providing bespoke specialist insurance products and services that are sold through brokers such as agriculture, non-standard home, and political violence, for, and on behalf of, our strategic insurer partners. MGA is a full service managing general agency with delegated underwriting authority from insurers and assumes no underwriting liability.

In 2019, we launched APS to leverage the scale of the Group and optimize our product development and capacity placement strategy. APS is built on our powerful data capture from across The Ardonagh Group's various businesses, creating connectivity between segments and developing a "single view" of the client. From this base, APS centrally co-ordinates the most appropriate placement of premiums to drive better solutions for our clients and capital providers, enabling the Group to further monetize its scale. We have already made strong progress across all elements of our APS strategy, and this unit represents a significant area of potential growth for the Group.

***Ardonagh Ireland***

The Ardonagh Ireland platform will be created following the completion of our Arachas acquisition. For the twelve months ended March 31, 2020, Arachas generated £43.5 million of Total Income Pro Forma for Completed Transactions and £21.9 million of Pro Forma Adjusted EBITDA (calculated using an exchange rate of €1.15 to £1.00).

Arachas is the largest SME-focused commercial insurance broker in Ireland, with specialized offerings and a nationwide reach that has allowed the business to quickly gain a leading position in its core markets. Arachas has grown rapidly through a combination of strong organic growth (averaging 7% between 2017 and 2019) and five acquisitions since June 2017 (representing £10 million of acquired EBITDA). Within Ardonagh, Arachas will provide an incremental set of product capabilities and carrier relationships for the broader platform to leverage while further enhancing the Group's leading position, particularly among SME customers. See "*The Transactions—The Arachas Acquisition.*"

***Corporate***

We maintain a non-operating segment comprising central costs and income not allocated to our reportable segments. These costs include Group board costs and Group function costs, including certain legal and regulatory expenses. Income in this non-operating segment primarily relates to interest income and rental income on sublet properties. For the twelve months ended March 31, 2020, Corporate generated £6.7 million in Total Income and (£11.5) million of Pro Forma Adjusted EBITDA.

**Our Strengths**

***Largest independent insurance broker in the UK with scalable platform***

We are the largest independent insurance broker in the United Kingdom. In the year ended December 31, 2019, we placed over £3 billion of gross written premium ("**GWP**") and had over 4 million policies under management, with growth delivered across each of our platforms. Our scale and leading position in the UK insurance market provides us with significant competitive advantages, including the ability to leverage our broad industry knowledge and depth of understanding of customer needs from our team of over 6,200 professionals, and the ability to leverage our broad brand recognition for our portfolio of over 50 leading and niche insurance brands. The scale of premium we place in the market allows us to capture incremental earnings across the insurance value chain and reduce costs. We are also able to work with insurers to design products which improve our offering to customers and increase the insurers' customer penetration and profitability, thus allowing us to drive deeper relationships with our key insurer partners.

We have invested heavily over the last three years to integrate acquired businesses, and to build scalable, efficient, market-leading capabilities and platforms from which to support further growth. The benefits of our scale and strong portfolio of widely recognized insurance brands will be further enhanced by the addition of the Arachas and Bravo businesses.

***Highly diversified, resilient earnings base across products, channels, carriers and customers***

We offer both general and bespoke insurance products and services across the insurance value chain, including personal and commercial lines, wholesale distribution, underwriting and insurance outsourcing services to large corporations, insurers, third-party brokers and MGAs, SMEs, and individual consumers at a wide range of price points, without assuming any underwriting or principal risk in relation to any of the services or products that we provide. We reach customers through diverse distribution channels, including through our digital platform, telephone contact centers, and traditional face-to-face customer contact via our network of local offices and Lloyd's of London platforms.

Our highly diversified offering ensures minimal reliance on any particular product, distribution channel, customer, or market, limiting our exposure to any adverse industry developments and thereby mitigating volatility in our overall financial performance. In addition, the breadth of our offering provides us with various avenues through which we can identify gaps in the market and develop specialized products to capture unmet demand. We are thus able take advantage of cross-selling opportunities to increase our customer penetration and drive incremental growth.

We have relationships with a wide range of insurance carriers in each of the markets that we serve. Our large number of carrier relationships mitigates potential carrier concentration risks and enables us to enhance and improve our product offerings for clients as well as pricing and our own commercial terms. For the year ended December 31, 2019, no single carrier accounted for more than 10% of our total GWP, with the top five carriers in aggregate representing less than 30% of total GWP. Of the over 75% of GWP placed directly with carriers, over 90% is placed with carriers rated A or above. For the year ended December 31, 2019, no single line of business accounted for more than 15% of GWP. We also have limited exposure to product classes which are most affected by COVID-19 (with only an estimated 3.5% of Total Income being from travel, leisure and hospitality, and an estimated 1% being from oil and gas, including up and downstream activities). For the twelve months ended March 31, 2020, no single customer accounted for more than 0.5% of Total Income and no single producer accounted for more than 0.6% of Total Income.

***Leading expertise in numerous high-quality specialist niches***

We have deep market expertise in numerous niche specialty insurance products across all of our platforms. Specialty insurance products are highly bespoke and require deep market expertise and strong carrier relationships which are difficult to replicate. Specifically, we have leading positions in several high-quality specialist markets, including SME healthcare, IFA-advised household, van, motorcycle, landlord, caring professionals agriculture, specialist haulage, and classic car.

We believe that the expertise we have developed over our many years of operations provides us with a strong competitive advantage both in terms of protecting our market share in existing specialties, and in identifying, developing, and capitalizing upon new specialty products to bring to market. We also believe the bespoke nature of our niche specialty products supports the development of deep customer relationships, enhanced customer loyalty, and customer retention. Specialist products also provide the opportunity for higher profit margins due to the highly customized nature of the products, leading to higher barriers to entry for brokers and MGAs trying to enter the niche specialty market.

***Growing, highly predictable and recurring income stream***

By leveraging our scaled platform and best practices, we have negotiated superior terms with insurer counterparties, industry participants, and suppliers, enabling us to offer a better experience to our customers. As a result, we have grown the business every quarter (compared with the prior year period) since our creation in

2017, with organic growth of 3.0% for the year ended December 31, 2019, compared with the year ended December 31, 2018, and organic growth of approximately 4.5% for each of the last three quarters compared with the prior year periods (4.6% for the three months ended September 30, 2019, 4.4% for the three months ended December 31, 2019, 3.5% (4.5% excluding estimated COVID-19 impacts) for the three months ended March 31, 2020).

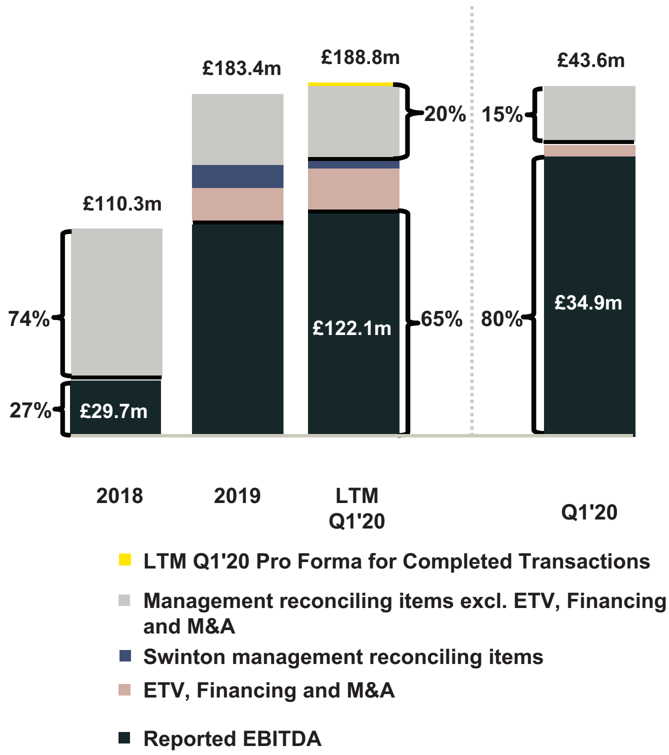
Our income is highly predictable and recurring in nature driven by high retention rates across most products. For the three months ended March 31, 2020, we estimate that 90% of Specialty income was generated from existing clients, that Advisory income retention was above 88%, and that Retail policy retention was above 77%. We believe our high client retention rates are driven by our focus on specialty products and exceptional client service.

***Efficient operating structure, with track record of cost-savings realization***

We have made significant investments in our business, including £175.0 million invested from early 2016 (including investments prior to the formation of the Group) to March 31, 2020 in transformative cost-savings program and synergy initiatives to create a scalable and efficient platform that is conducive to future growth, resulting in £82.4 million of realized cost-savings over the time period. We have also actioned a further £10.7 million of annualized cost savings that we expect to realize over the next twelve months and identified within our existing business an incremental £19.7 million of cost savings that will be actioned over the next twelve months. The realization of these efficiency initiatives resulted in a substantial improvement in our Adjusted EBITDA margin from 18.0% for the last twelve months ended June 30, 2017, steadily increasing during each quarter, to 28.0% for the last twelve months ended March 31, 2020. Total Income also steadily increased each quarter during the same period, from £323.4 million for the twelve months ended June 30, 2017 to £670.1 million for the last twelve months ended March 31, 2020. We will continue to implement best practices across the Group to drive improved operational efficiency and effectiveness as well as continue to make strategic investments in our business.

As a result of our investments, our business also benefits from market leading and scalable technology platforms that can be leveraged across the entire Group and which allowed us to rapidly respond to the COVID-19 pandemic, maintaining consistently high customer service levels while rapidly shifting approximately 90% of staff to working from home following the announcement of UK-wide lockdown.

Our investments have also resulted in a continued and rapid improvement in our quality of earnings as cost savings are delivered and one-time costs have decreased. The chart below shows the percentage of our Reported EBITDA to our Adjusted EBITDA for the year ended December 31, 2018 and for the three months and twelve months ended March 31, 2020.




For the three months ended March 31, 2020, Reported EBITDA was 80% of Adjusted EBITDA for the Ardonagh Group, compared with 27% for the year ended December 31, 2018. Adjusted EBITDA increased by 70.1%, or £77.4 million, to £187.7 million for the twelve months ended March 31, 2020 from £110.3 million for the twelve months ended December 31, 2018. Adjusted EBITDA Pro Forma for Completed Transactions for the twelve months ended March 31, 2020 was £188.8 million. Reported EBITDA increased by 311.1%, or £92.4 million, to £122.1 million for the twelve months ended March 31, 2020 from £29.7 million for the twelve months ended December 31, 2018. The improvement in Reported EBITDA was primarily driven by income growth and successful delivery of cost saving programs, combined with reduction in one-time costs to deliver savings as programs terminate. Management reconciling items (excluding Swinton integration costs, M&A, financing and ETV costs) represent 20% of Adjusted EBITDA for the twelve months ended March 31, 2020 as compared to 74% of Adjusted EBITDA for the twelve months ended December 31, 2018. For the three months ended March 31, 2020, Reported EBITDA and Adjusted EBITDA were £34.9 million and £43.6 million, respectively.

***Cash generative business model, including limited maintenance capital expenditure requirements***

Our business model is designed to generate significant operating cash flow due to high EBITDA margins with limited working capital and maintenance capital expenditure requirements. Maintenance capital expenditures have averaged 0.3% of Total Income over the past two financial years and working capital cycles have been substantially improved through focus on client money and supplier payment policies. For the twelve months ended March 31, 2020, The Ardonagh Group generated operating cash flow of £174.3 million, or 93.0% of Adjusted EBITDA.

The acquisitions of Arachas and Bravo will further support our operating cash conversion target of 80-90% as Arachas and Bravo are highly cash generative businesses, achieving operating cash conversions of 94.0% and 90.7%, respectively, over 2018 and 2019. We believe that our cash generative business model is highly scalable and that we will be able to leverage our well-invested infrastructure as we continue to grow organically and via acquisitions.

***Long standing and proven track record for identifying and delivering highly accretive acquisitions***

We have a proven ability and well-established process for identifying, executing, and integrating highly accretive acquisitions. As a combined group, including the acquisitions completed by both Arachas and Bravo, we have completed or entered into share purchase agreements for numerous acquisitions since the creation of Ardonagh in 2017, adding approximately £75.0 million Adjusted EBITDA at a blended ratio of enterprise value to Adjusted EBITDA of less than 7.0x based on the trailing twelve months prior to completion and excluding expected synergies. Selected acquisitions include, among others, Carole Nash (2017), Healthy Pets (2017), Mastercover (2017), Swinton (2018), MHG (2019), PfP (2019), THIG (2019), Rural (2020), and Bennetts (expected to complete in 2020). We aim to leverage the investments that we have already made in our IT, finance and business processes to reduce costs associated with on-boarding and integrating acquired businesses. Furthermore, our APS capabilities will be an important additional driver of synergies with current and future acquisitions.

Each of Bravo and Arachas have strong M&A track records that are complementary to Ardonagh. Bravo has completed over 30 acquisitions since 2016, emerging as a leading consolidator in the UK regional market through a well-established "hub and spoke" model, and Arachas has completed and successfully integrated five acquisitions in the Republic of Ireland between 2017 and 2019.

***Highly experienced and aligned management team, with a strong governance, compliance, and ethics foundation***

Our executive team is highly experienced in leading and growing successful insurance intermediary organizations. Our Chief Executive Officer, David Ross, has over 25 years of industry experience building and leading brokerage businesses including leading transformative mergers and acquisitions in the insurance intermediary field. Mr. Ross has been the Chief Executive Officer of Ardonagh since its formation in 2017, and was previously Chief Executive Officer of Towergate, our predecessor organization. He is supported by a highly experienced senior management team with over 25 years, on average, of experience with a strong track record of delivering on transformative change and investment. Our senior management team leads a deep bench of revenue producing talent and committed operational support staff, all of whom have been specifically targeted for their entrepreneurial spirit and ability to drive sustainable revenue growth. Management and employees are incentivized directly or indirectly through a combination of TopCo B Shares ownership and multiple broad equity and performance schemes, linked to the achievement of long term, sustainable and profitable growth. Together, we are committed to ensuring our business and employees are compliant with all applicable laws and regulations while maintaining high ethical standards, as we recognize that advisor integrity and client confidence are key foundations in the insurance brokerage industry. We have over 70 employees dedicated to our compliance initiatives, covering internal audit, ethics, legal, and regulatory compliance areas.

## Our Strategies

***Accelerate organic growth through new products, cross-selling and up-selling***

We seek to consistently achieve mid-single digit organic growth across our overall business by expanding product portfolios, developing new distribution and pricing strategies, and increasing penetration of our customer base through a concerted sales effort across the Group. We intend to roll out these initiatives across Bravo and Arachas following their acquisitions.

*(i) New products and client sectors*

We have a growing pipeline of new specialist products which will be highly complementary to our existing offerings, including high net worth, political violence, specialty terrorism facility and multi-product, multi-brand retail solutions. These products are being developed on existing systems and channels at limited upfront cost and are largely linked to new hires, who can contribute the relevant product and channel expertise. As an example, new products launched in Specialty contributed towards organic growth of approximately 10.7% in the quarter ended March 31, 2020. In 2019, our Advisory business launched a focused client strategy aimed at large UK corporates. This new strategy is already bearing fruit with the successful signing of several marquee clients, including a global broadcaster that has a £5 billion turnover and also the UK's largest charity. As the cost of the relevant hires in Specialty and Advisory is already reflected in our financials, we believe these growth initiatives will be highly EBITDA accretive.

*(ii) New distribution and pricing strategies*

In Advisory, we are accelerating growth of our highly successful Riskline business, which is focused on online and telephonic distribution of commercial insurance products to micro-SME.

In Retail, we have implemented a bespoke pricing system and leveraged our data infrastructure, fraud detection capabilities and access to third party data sources to improve retention and increase customer lifetime value across most products. We have also developed a wholesale hub which is accessible to other parts of the Group to facilitate the sale of market-leading and optimally-priced personal lines products.

In Specialty, we have developed a highly sophisticated customer and broker-facing software which interfaces with several market-leading policy admin systems and will substantially improves ease of access to customer and broker data. We are in discussions with several third party brokers who are clients of our wholesale platform to roll out this software over the next twelve to twenty four months.

*(iii) Customer relationship management for Cross-selling and up-selling*

We are accelerating the roll-out of a group-wide database which will collate data from each platform and enable a "single view of the client" (i.e. how many policies are linked to each client across personal and commercial lines) to facilitate retention and cross selling and up-selling.

***Optimize placement strategy and middle and back-office functions***

Our APS unit will be a key growth driver going forward by allowing us to capitalize on a select number of strategic carrier relationships, create market leading products which offer better terms for our customers and access alternative capital providers either directly or in connection with our MGA segment. Over the past nine months, we have signed strategic partnership agreements with several large, highly-rated carriers which we expect will generate annualized Reported EBITDA of £1.7 million based on fixed fee arrangements. In January 2020, we launched a new product facility which consolidated multiple existing carrier arrangements across the Group. Roll out to date has been highly successful and we expect this facility to contribute £1.8 million of additional Reported EBITDA based on current premium at minimal additional cost. We are also in advanced discussions with regards to the creation of new products and capacity arrangements with several alternative capital providers.

We are constantly re-examining our operating models in order to incrementally streamline lower value-add operations and further support our front office distribution and client service capabilities. We expect these initiatives to further increase productivity of income generating staff and further reduce operational costs.

***Continue to capitalize on strong M&A pipeline***

We have a pipeline of over 35 "add-on" acquisition opportunities currently in advanced discussions or with agreed heads of terms (including Bravo and Arachas). These transactions offer highly attractive risk adjusted returns with blended average of enterprise value over Adjusted EBITDA in the mid-to-high single digits post-synergies and minimal integration risk given highly complementary nature of products and systems and relatively small size (average Adjusted EBITDA pre-synergy of £0.5 million). We continue to explore larger transaction opportunities both in the UK and internationally with a strong focus on market-leading platforms, such as Arachas in Ireland. Potential acquisition opportunities will be subject to careful evaluation in light of the current macro-economic environment and uncertainty surrounding the impact of COVID-19.

## The Transactions

***The Arachas Acquisition***

On , we entered into the Arachas Acquisition Agreement with funds managed by our shareholder, MDP, to acquire Nevada 5 TopCo, which holds approximately 84% of the shares in Arachas, for an estimated cash consideration of €292.8 million including costs and repayment of existing debt (£254.6 million calculated using an exchange rate of €1.15 to £1.00) at a valuation that we believe is consistent with similar platform acquisitions in the industry. The remaining shares in Arachas are held by the Arachas management. We intend to roll up a portion of the management shares in Arachas into Topco B Shares after the Arachas Acquisition. We intend to finance the Arachas Acquisition with proceeds from the Term Facility and proceeds from the Offering. We expect the Arachas Acquisition to complete on the Issue Date.

With 139,000 policies under management as of December 31, 2019, Arachas is the Republic of Ireland's largest commercial insurance broker. Arachas specializes in corporate, SME and affinity scheme insurance products as well as providing a high net worth-focused private client service. Arachas delivers exclusive insurance solutions through a multi-channel distribution strategy which comprises a retail footprint of six offices and wholesale footprint of approximately 400 third-party brokers across the Republic of Ireland.

Arachas has grown rapidly through a combination of strong organic growth (averaging 7% between 2017 and 2019) and five acquisitions since June 2017 (representing £10 million of acquired EBITDA).

On a pro forma basis for acquisitions, in the twelve months ended March 31, 2020, Arachas placed £184.9 million of GWP, generating Total Income Pro Forma for Completed Transactions of £43.5 million and Pro Forma Adjusted EBITDA of £21.9 million (calculated using an exchange rate of €1.15 to £1.00).

***The Bravo Acquisition***

On , we entered into the Bravo Acquisition Agreement with funds managed by our shareholders HPS and MDP, to acquire Nevada 4, which holds approximately 97% of the shares in Bravo, for an estimated cash consideration of £295.0 million including costs and repayment of existing debt. The remaining shares in Bravo are held by the Bravo management. We intend to finance the Bravo Acquisition with proceeds from the Term Facility and the proceeds from the Offering. The consummation of this acquisition is subject to customary closing conditions, and we expect the Bravo Acquisition to complete on the Issue Date.

Bravo consists of two highly complementary segments which operate under three brands: Broker Network, Compass and Ethos Broking.

- Broker Network and Compass are two well-established network service providers to regional insurance brokers. They have approximately 750 members across the United Kingdom, equivalent to around 60% of all UK network membership. This segment generated £22.1 million of Total Income Pro Forma for Completed Transactions and £7.1 million of Adjusted EBITDA Pro Forma for Completed Transactions (excluding impact of IFRS 16) for the twelve months ended March 31, 2020.
- Ethos Broking is a highly active acquisition platform focused on the UK regional insurance market. Between November 2016 and April 2020, it has acquired over 30 independent brokers, through a "Hub and Spoke" acquisition strategy. Ethos retains a strong and constantly evolving pipeline of acquisitions. This segment generated £57.1 million of Income Pro Forma for Completed Transactions and £13.5 million of Adjusted EBITDA Pro Forma for Completed Transactions (excluding impact of IFRS 16) for the twelve months ended March 31, 2020.

For the twelve months ended March 31, 2020, Bravo placed approximately £2.6 billion of GWP, both directly through Ethos and indirectly through its networks. In the same period, Bravo generated Total Income Pro Forma for Completed Transactions of £79.2 million and Pro Forma Adjusted EBITDA of £26.3 million.

***The Bennetts Acquisition***

On February 14, 2020, we entered into the Bennetts Acquisition Agreement with Saga Services Limited to acquire Bennetts for an estimated cash consideration of £28.8 million including costs. We intend to finance the Bennetts Acquisition with proceeds from the Term Facility and the proceeds from the Offering. Completion of the transaction is subject to regulatory and competition approval and other customary closing conditions. If these conditions are not satisfied on or prior to the July 31, 2020 longstop date, the Bennetts Acquisition Agreement may be terminated. See "*Risk Factors—Risks Related to Our Business and Industry—Our selective acquisition and disposal strategy exposes us to risks, including the risk that we may not be able to successfully integrate acquired businesses or that acquisitions may have liabilities that we are not aware of and may not be as profitable as we may have expected them to be and that disposals may not have the impact on results of operations that we expected them to have.*"

Founded in 1930, Bennetts is a leading brand in the attractive motorcycle insurance sector of the motor insurance market, providing cover for over 200,000 motorcyclists across the UK. Bennetts services riders online and via its 173-member team across sites in Peterborough and Coventry. Bennetts also operates BikeSocial, an online news and advice platform for motorcycle enthusiasts in the UK.

For the year ended December 31, 2019, Bennetts generated Total Income of £17.6 million and Pro Forma Adjusted EBITDA of £5.0 million. Bennetts is highly complementary to the Ardonagh Retail platform and alongside Carole Nash and Swinton, gives Ardonagh significant presence in the highly attractive motorcycle insurance market in the UK.

### *The Refinancing*

The Original Guarantor expects to enter into the Senior Secured Credit Facilities Agreement on or prior to the Issue Date. See "*Description of Other Indebtedness and Financing Arrangements—Senior Secured Credit Facilities Agreement*." On the Issue Date, the Issuer will issue the Notes.

On or about the Issue Date, the Issuer will satisfy and discharge all obligations outstanding under the indentures governing the Existing Notes by paying the redemption price for each of the Existing Notes plus accrued and unpaid interest thereon to the date of redemption (the "**Existing Notes Redemption**").

The entry into the Senior Secured Credit Facilities Agreement, the Offering, the entry into the Intercreditor Agreement and the application of the proceeds from the Senior Secured Credit Facilities Agreement and the Offering and the cancellation of the Existing Revolving Credit Facilities Agreement, the Arachas Acquisition, the Bravo Acquisition and the Bennetts Acquisition are collectively referred to in this offering memorandum as the "**Transactions**." The Bennetts Acquisition is subject to certain conditions, including regulatory and competition approvals and if these conditions are not satisfied on or prior to the longstop date, the Bennetts Acquisition Agreement may be terminated.

### *The Secured Credit Facilities*

The Original Guarantor expects to enter into a credit facility agreement on or prior to the Issue Date with, among others, the administrative agent and the lenders party thereto (the "**Senior Secured Credit Facilities Agreement**") governing a senior secured term loan facility of up to £1,575 million (equivalent) ("**Term Facility**"), a senior secured delayed draw multi-currency term loan facility in a principal amount of £300 million (equivalent) (the "**CAR Facility**") and a £171.5 million (equivalent) (the "**New Revolving Credit Facility**" and together with the Term Facility and the CAR Facility, the "**Secured Credit Facilities**"). The CAR Facility may be used for, among other things, financing or refinancing capital expenditures and income hires, permitted acquisitions, investments and joint ventures and operational restructuring and reorganization requirements. The New Revolving Credit Facility may be used for, among other things, for financing and refinancing general corporate purposes and working capital. The Secured Credit Facilities will be secured on a first priority basis by the Shared Collateral, and guaranteed by the Guarantors on a senior basis. See "*Description of Other Indebtedness and Financing Arrangements—Senior Secured Credit Facilities Agreement*."

### *Sources and Uses for the Transactions*

The Issuer intends to use the proceeds of the Offering, together with certain proceeds from drawings under Term Facility, (i) to fund the Existing Notes Redemption; (ii) to repay drawn amounts under the Existing Revolving Credit Facility Agreement; (iii) to fund the Arachas Acquisition, the Bravo Acquisition and the Bennetts Acquisition; (iv) to pay the fees and expenses incurred in connection with the Transactions, including fees and expenses incurred in connection with the Offering and redemption costs incurred in connection with the Existing Notes Redemption; and (v) for general corporate purposes. See "*Use of Proceeds*" and "*Capitalization*."

| Sources of funds | (£ in millions) | Uses of funds | (£ in millions) |
|---|---|---|---|
| Term Facility(1) | 1,575.0 | Redemption of the Existing Notes(3) | 1,142.5 |
| Notes offered hereby(2) | 400.0 | Redemption Costs(4) | 96.5 |
| | | Repayment of Existing Revolving Credit Facilities(5) | 70.0 |
| | | Bravo Acquisition(6) | 295.0 |
| | | Arachas Acquisition(7) | 254.6 |
| | | Bennetts Acquisition(8) | 28.8 |
| | | Estimated fees and expenses for the Transactions(9) | 79.7 |
| | | Cash on balance sheet | 8.0 |
| **Total sources** | **1,975.0** | **Total uses** | **1,975.0** |

(1) Represents the sterling-equivalent gross proceeds from the drawings under the Term Facility, comprising a €180 million euro tranche and a sterling tranche in the remaining amount.
(2) Represents the sterling-equivalent gross proceeds of the Notes offered hereby (calculated using an exchange rate of $1.25 to £1.00).
(3) Represents the principal amounts outstanding under the Existing Notes calculated on the basis of our hedged exchange rate.
(4) Represents estimated premium payable in connection with the Existing Notes Redemption plus estimated accrued and unpaid interest to June 30, 2020.
(5) Represents repayment of the amount drawn under the Existing Revolving Credit Facility.
(6) Represents the estimated cash consideration for the Bravo Acquisition, repayment of existing debt, plus costs related to the Bravo Acquisition and redemption costs for existing financing. See "*Summary—The Transactions—The Bravo Acquisition*."
(7) Represents the estimated cash consideration for the Arachas Acquisition, repayment of existing debt, plus costs related to the Arachas Acquisition and redemption costs for existing financing. See "*Summary—The Transactions—The Arachas Acquisition*."
(8) Represents the estimated cash consideration for the Bennetts Acquisition, plus costs related to the Bennetts Acquisition. If the Bennetts Acquisition is not consummated, this amount will be used for general corporate purposes.
(9) Represents transaction costs plus original issue discount applied to the Term Facility.

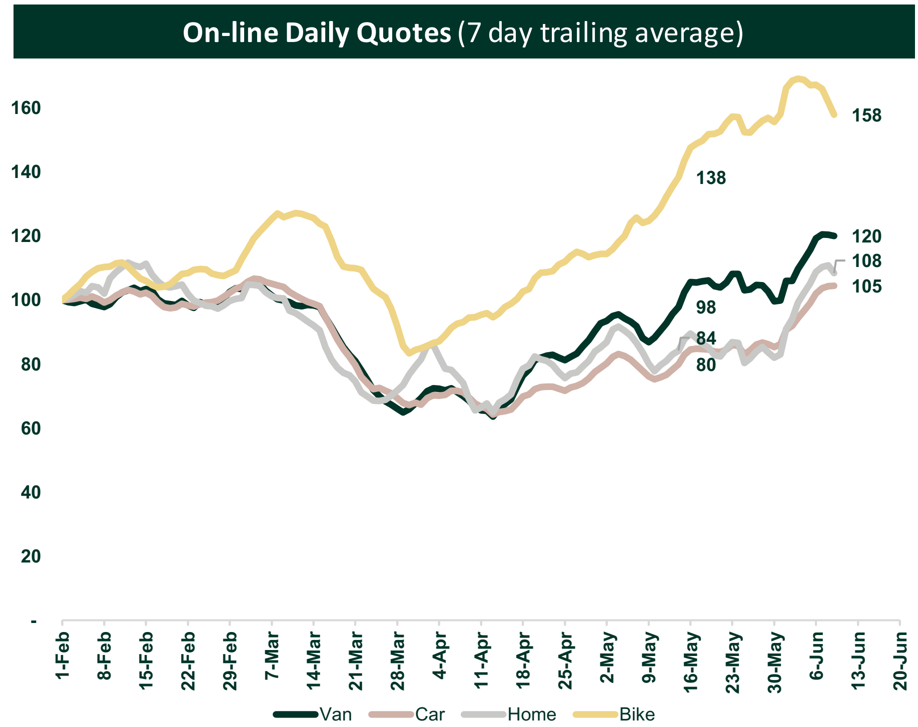
**Recent Developments**

***COVID-19***

Although the scale and ultimate impact of the COVID-19 pandemic remains unknown, we have put in place a range of plans to prepare for potential outcomes for our businesses and to support clients and customers through this sustained period of uncertainty, while protecting the health and safety of our colleagues and other stakeholders. Our past investments in infrastructure have allowed us to rapidly adapt operationally while maintaining high customer service levels. As part of our response, we have implemented remote working for colleagues wherever possible, have increased the utilization of technology for client interaction and internal meetings, have avoided travel within our UK office network, and have followed guidance from Public Health England. Our past investments in infrastructure have also allowed us to improve customer experience with webchat and self-service portals, while enhancing our servicing and processing with the adoption of automation and artificial intelligence and machine learning to simplify and accelerate end-to-end transactions, and digital trading platforms. Additionally, our senior management-led working groups and local leadership teams are working collaboratively to ensure operational resilience and the provision of business-critical services, with preparations in progress to introduce additional measures as the situation evolves.

We believe that we have experienced limited financial impact to date from COVID-19. Our diversified income base has helped insulate us from significant financial impact, as the most highly affected sectors such as travel, leisure and hospitality and oil and gas industries (including both upstream and downstream activities) only represent an estimated 3.5% and an estimated 1%, respectively, of our Total Income. We expect business activity to increase as the UK lock-down in response to the COVID-19 pandemic eases, and as businesses, schools and offices reopen and car, truck and van usage begins to return to pre-COVID-19 levels.

Since March, there has been an acceleration in the car and motorbike insurance market, supported by UK government advice to avoid public transport. The following chart shows a 7-day trailing average for daily PCW insurance quotes for van, car, home and motorbike between February 1, 2020 and June 9, 2020, indexed to levels at February 1, 2020. The motorbike insurance market acceleration is consistent with the typical sales peak seasonality in this period. The volume of PCW quotes across our core retail products has substantially recovered to pre-COVID-19 levels over this time period.



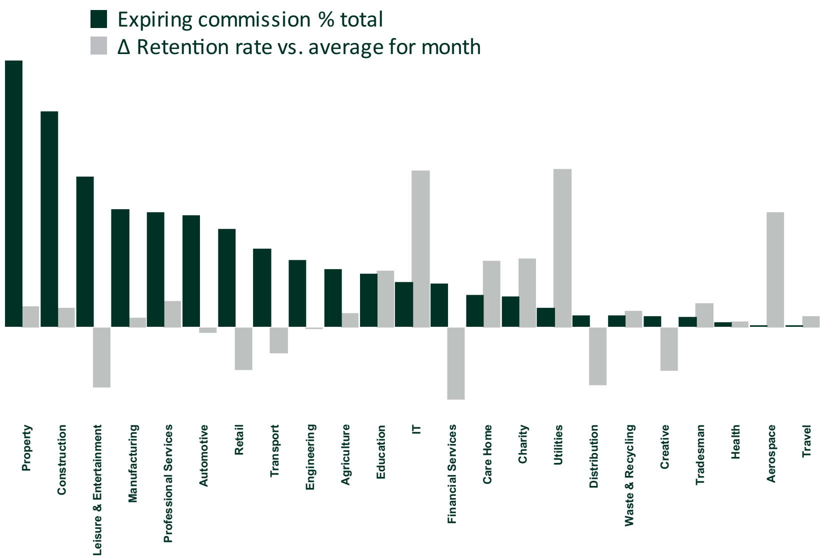

While it is too early to assess whether the economic downturn that is likely to follow from the COVID-19 pandemic will have a material impact on our growth in 2020 and beyond, we believe the impact of COVID-19 on our results of operations to date relates predominantly to the temporary lock-down measures in the UK. We, however, cannot predict the degree to which, or the time period over which, our business will be affected by this pandemic and its impact on the economic conditions in the UK or globally. See "*Risk Factors—Risks Related to Our Business and Industry—Our business may be adversely affected by a decline in economic conditions in the United Kingdom or globally and by other market risks, including the COVID-19 pandemic and Brexit.*"

**Trading Update**

Total Income decreased by 3.4%, or £2.0 million, to £57.6 million for the month ended April 30, 2020 from £59.6 million for the month ended April 30, 2019. This decrease in income was primarily due to the planned optimization of the product portfolio across the Ardonagh Retail brands (including targeted reduction in less profitable business, primarily in Swinton), and the impact of the UK lock-down in response to the COVID-pandemic. Excluding Swinton, Total Income decreased by 1.2%, or £0.7 million, over the same period. Adjusted EBITDA increased by 17.3%, or £3.0 million, to £20.7 million for the month ended April 30, 2020 from £17.6 million for the month ended April 30, 2019. This increase was primarily driven by the Ardonagh Specialty platform, which contributed £2.8 million to the increase in Adjusted EBITDA during the period, primarily due to new hires rapidly reaching maturity, and the successful delivery of our cost saving program across all our platforms.

For the month ended April 30, 2020 (as compared to the month ended April 30, 2019), Total Income for Ardonagh Advisory was adversely impacted by level of cover adjustments to match lower activity levels, deferrals and lower levels of new business in some segments, as a result of the UK lock-down, partially offset by additional cover in some segments. During the period, Ardonagh Advisory had strong income retention (retention remained over 86%, broadly in line with performance during the three months ended March 31, 2020), and, in the case of costs, additional cost reductions. Adjusted EBITDA for Ardonagh Advisory increased by £0.5 million during the month. The following chart shows retention by sector in Ardonagh Advisory for the month ended April 30, 2020:

**April 2020 Commission Retention by Sector[(1)]**




(1) Excludes Swinton commercial book, HAPS, Riskline and Footman James

During the same period, Total Income of Ardonagh Retail was adversely impacted by a reduction in ancillary income and lower levels of new business, primarily as a result of the temporary reduction in operational capacity of call center operatives during the rapid transition to the UK lock-down. During the period, Ardonagh Retail had strong customer retention and additional cost reductions, primarily in marketing and travel and entertaining expenses. Adjusted EBITDA for Ardonagh Retail decreased by £0.4 million during the month. In our Retail platform, our investment in remote working capacity, and leveraging of online service channels, including chat and SMS messaging, resulted in a rebound of operational capacity to approximately 85% of pre-COVID-19 levels by late April.

During the same period, Ardonagh Specialty was not impacted due to the larger, more resilient, international nature of the client base, with minimal exposure to the most heavily impacted industries, and our Corporate non-operating segment increased Adjusted EBITDA by £0.2 million, primarily as the result of reduced costs.

For the three months ending June 30, 2020, we currently anticipate Adjusted EBITDA to be lower as compared to the same period in 2019, primarily due to the benefit received last year from the transition to certain third-party premium finance arrangements. Excluding these premium finance arrangements, which benefitted the comparable period in 2019, and subject to performance in May and June and any change in circumstances, including the impact of COVID-19, we anticipate Adjusted EBITDA for the second quarter of 2020 to be broadly in line with the comparable period in 2019.

*The above information for the month of April is derived from the Topco's management accounts for the relevant period . This information has been prepared by management. It has not been audited, reviewed, verified or subject to any procedures by our auditors and you should not place undue reliance on it, and no opinion or any other form of assurance is provided with respect thereto. This information is based upon a number of assumptions and judgments that are subject to inherent uncertainties and are subject to change, and are not intended to be a comprehensive statement of the financial or operational results as of and for the period* *indicated. Because this information is preliminary, it is subject to change and should not be considered indicative of actual results that would be achieved for the entire quarterly period and do not purport to indicate our future consolidated results of operations or financial position. The above information also includes forward-looking information, which by its nature involves risk and uncertainty because it relates to future circumstances. See "Forward-Looking Statements" and "Risk Factors."*

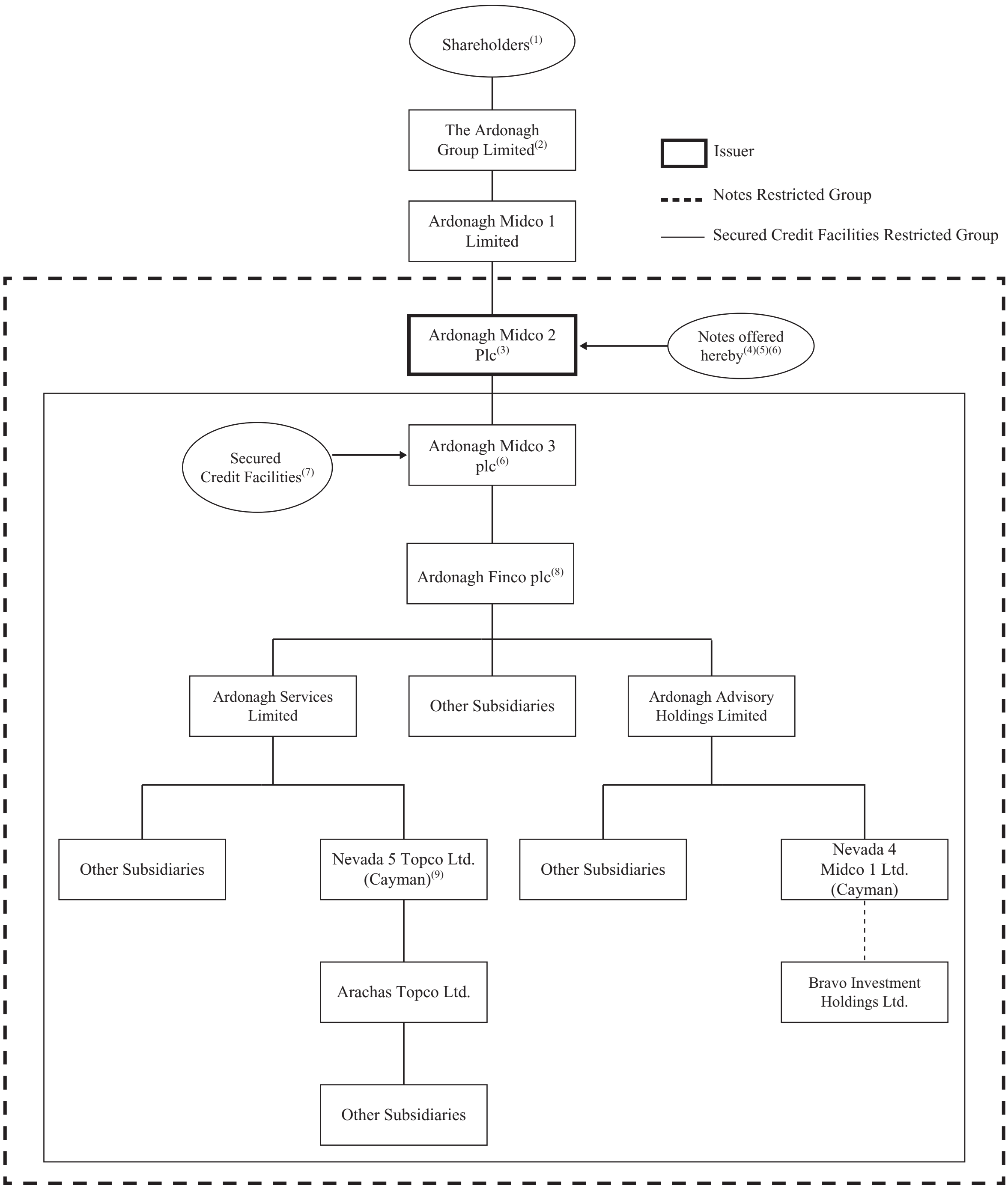
**Our Sponsors**

HPS Investment Partners is a global investment firm with approximately $61 billion of assets under management as of May 1, 2020. HPS was founded in 2007 and manages various strategies that invest across the capital structure, from syndicated leveraged loans and high yield bonds to privately negotiated senior secured debt and mezzanine investments, asset-based leasing and private equity. The scale and breadth of the Firm's platform offers the flexibility to invest in companies large and small, through standard or customized solutions. HPS is headquartered in New York with ten additional offices worldwide and has 145 investment professionals and over 370+ employees globally.

Madison Dearborn Partners, LLC ("MDP"), based in Chicago, is a leading private equity investment firm. Since MDP's formation in 1992, the firm has raised over $26.0 billion of capital and has completed over 145 investments. MDP invests across a broad spectrum of industries, including businesses and government software and services; basic industries; financial and transaction services; health care; and telecom, media and technology services. MDP's objective is to invest in companies with strong competitive characteristics that it believes have the potential for significant long-term equity appreciation. To achieve this objective, MDP seeks to partner with outstanding management teams that have a solid understanding of their businesses as well as track records of building shareholder value. Funds managed by MDP are lead investors in insurance brokers, NFP Corp., The Amynta Group and Navacord Inc., demonstrating MDP's experience in the sector.

## SUMMARY CORPORATE AND FINANCING STRUCTURE

The diagram below provides a simplified overview of our corporate and financing structure on a consolidated basis as of the date of this offering memorandum, after giving effect to the Transactions and the use of proceeds from the Offering. The diagram does not include all entities in our group and does not include management shareholders, nor does it show all liabilities in our group. For a summary of the material financing arrangements identified in the diagram, see "*Description of Other Indebtedness and Financing Arrangements*" and "*Description of the Notes*."




(1) As of the date of this offering memorandum, 52.8% of the voting interests in The Ardonagh Group Limited ("**Topco**") are owned by funds managed, advised and/or controlled by HPS Investment Partners, LLC ("**HPS**") or its affiliates, 42.2% of the voting interests are owned by entities affiliated with Madison Dearborn Partners, LLC ("**MDP**") and the remaining 5.0% of voting interests are held by other minority shareholders. See "*Shareholders*" and "*Management—Management Equity Interests.*"

(2) Currently, Topco is the reporting entity for The Ardonagh Group. See "*Presentation of Financial Information—Financial Information—The Ardonagh Group Limited.*"

(3) The Issuer is a holding company that was formed on March 20, 2017 for the purpose of the 2017 Transactions (as defined herein) and other potential transactions and is not expected to engage in any activities other than those related to its formation, the 2017 Transactions, the Transactions and other future transactions permitted by the Indenture. Ardonagh Midco 1 Limited is the parent of the Issuer. The Issuer's only material assets and liabilities are expected to be its interests in Ardonagh Midco 3 plc, its outstanding indebtedness under the Notes, any other future indebtedness and certain inter-company balances, as well as other transactions not prohibited by the Indenture. We do not present in this offering memorandum any financial information or financial statements of the Issuer.

(4) The Issuer is offering $500 million in aggregate principal amount of Notes. The Notes will be general senior obligations of the Issuer, rank pari passu in right of payment with all of the Issuer's existing and future indebtedness that is not expressly subordinated in right of payment to the Notes, rank senior in right of payment to all existing and future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes, be effectively subordinated to all existing and future indebtedness of the Issuer and its subsidiaries that is secured by property and assets that do not secure the Notes or that is secured on a first-priority basis over property or assets that secures the Notes on a second-priority basis, in each case to the extent of the value of the property and assets securing such obligation or indebtedness, including obligations under the Senior Secured Credit Facilities Agreement and certain hedging obligations, and be structurally subordinated to any existing or future obligations, including their obligations to trade creditors, of any subsidiary of the Issuer if that subsidiary is not also a Guarantor or Issuer of the Notes.

(5) Subject to the Agreed Security Principles and certain perfection requirements, the Notes and the Note Guarantees will be secured on or about the Issue Date, on a first-ranking basis, by security over (i) the shares of the Issuer held by Ardonagh Midco 1 Ltd. ("**Holdco**"), (ii) material assets of the Issuer (including its material bank accounts) other than certain excluded assets, pursuant to a floating charge and (iii) structural intercompany receivables owed to Holdco by the Issuer (if any) (the "**First-Ranking Collateral**"); and on a second-ranking basis, by security over (i) the shares of the Original Guarantor held by the Issuer and (ii) structural intercompany receivables owed to the Issuer by the Original Guarantor (if any) (the "**Shared Collateral**"). See "*Summary—The Offering*." See "*Description of the Notes—Security Documents*," "*Service of Process and Enforcement of Civil Liabilities*" and "*Certain Insolvency Law Considerations*."

(6) Subject to and in accordance with the Agreed Security Principles, the Notes will be guaranteed on a senior subordinated basis (the "**Notes Guarantees**"), on (a) the Issue Date, by Ardonagh Midco 3 plc (the "**Original Guarantor**"), (b) the date that is the earlier of (i) the date that such entity provides a guarantee under the Senior Secured Credit Facilities Agreement (as defined herein) and (ii) 90 days from (but excluding) the Issue Date, each of the subsidiaries of the Issuer that provides a guarantee under the Senior Secured Credit Facilities Agreement, which entities are expected to be Ardonagh Finco Plc, Ardonagh Advisory Holdings Limited, Ardonagh Services Limited, Ardonagh Specialty Holdings Limited, Atlanta 1 Insurance Services Limited, Bishopsgate Insurance Brokers Limited, Carole Nash Insurance Consultants Limited, Geo Underwriting Services Limited, Health and Protection Solutions Limited, Paymentshield Limited, Price Forbes & Partners Limited, Swinton Group Limited, Towergate Underwriting Group Ltd, URIS Group Limited (collectively, the "**Post-Closing Guarantors**"), (c) the date that is the earlier of (i) the date that such entity provides a guarantee under the Senior Secured Credit Facilities Agreement and (ii) 90 days from (but excluding) the Bravo Closing Date, each of the subsidiaries of Bravo that provides a guarantee under the Senior Secured Credit Facilities Agreement, which entities are expected to be Bravo Investment Holdings 3 Limited, Bravo Investment Holdings 4 Limited, The Broker Network Limited, Finch Commercial Insurance Brokers Ltd, Hawkwood Investment Holdings Limited and Verulam Holdings Limited (the "**Bravo Guarantors**"), (d) the date that is the earlier of (i) the date that such entity provides a guarantee under the Senior Secured Credit Facilities Agreement and (ii) 90 days from (but excluding) the Arachas Closing Date, each of the subsidiaries of Arachas that provides a guarantee under the Senior Secured Credit Facilities Agreement, which is expected to be Arachas Corporate Brokers Limited (the "**Arachas Guarantor**") and (e) the date that is the earlier of (i) the date that such entity provides a guarantee under the Senior Secured Credit Facilities Agreement and (ii) 90 days from (but excluding) the Bennetts Closing Date, Bennetts Motorcycling Services Limited ("**Bennetts Guarantor**") and together with the Original Guarantors, the Post-Closing Guarantors, the Bravo Guarantors, and the Arachas Guarantor, the "**Guarantors**"). The Issuer and the Guarantors will represent more than 90% of our Total Pro Forma Adjusted EBITDA for the twelve months ended March 31, 2020. Following the Transactions, all of the UK or Ireland insurance broking assets owned by our principal shareholders will be owned by the Group.

(7) The Original Guarantor is expected to enter into the Senior Secured Credit Facilities Agreement on or about the Issue Date. We expect that the Senior Secured Credit Facilities Agreement will provide for the Secured Credit Facilities comprising a £1,575 million (equivalent) Term Facility, the £300 million (equivalent) CAR Facility and the £171.5 million (equivalent) New Revolving Credit Facility. The Guarantors will guarantee the Secured Credit Facilities on a basis senior to the Notes Guarantees. The Secured Credit Facilities and certain hedging obligations are secured on a first priority basis by the Shared Collateral. See "*Description of Other Indebtedness and Financing Arrangements—Senior Secured Credit Facilities Agreement*." We expect that the Term Facility will be drawn in full, whereas the amount available for drawing under the New Revolving Credit Facility and the CAR Facility will be undrawn on the Issue Date.

(8) As of December 31, 2019, we had a 100% interest in our subsidiaries unless otherwise specified in note 36 of the Ardonagh 2019 Audited Financial Statements. See also "*Management*". Pro forma for the Arachas Acquisition, we will hold 100% interest in Nevada 5 Topco which holds approximately 84% of the shares in Arachas. The Management Shareholders hold the remaining interest in Arachas. We intend to roll up a portion of the management shares in Arachas into Topco B Shares after the Arachas Acquisition. Pro forma for the Bravo Acquisition, we will hold 100% interest in Nevada 4 which holds approximately 97% of the shares in Bravo. The Management Shareholders hold the remaining interest in Bravo. The minority shareholders in our subsidiaries may receive certain distributions ahead of distributions made to holders of the Notes. From time to time, we have bought out and we may continue to buy out minority interests as and when market opportunities are aligned with our business strategy. See "*Risk Factors—Risks Related to our Financial Profile—Despite our substantial leverage, we may still be able to incur more debt under the Indenture governing the Notes, which could further exacerbate the risk described above.*" Further, the percentages set forth the respective economic rights in connection with a distribution or dividend on ordinary shares but are disapplied in circumstances in which a liquidity event may apply. See *"Management—Management Equity Interests"* for information on these voting rights.

## THE OFFERING

The following summary of the Offering contains basic information about the Notes and the Notes Guarantees. It is not intended to be complete, and it is subject to important limitations and exceptions. For a more complete understanding of the Notes and the Notes Guarantees, including certain definitions of terms used in this summary, see "*Description of the Notes*," and "*Description of Other Indebtedness and Financing Arrangements—Intercreditor Agreement*."

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|---|---|
| Issuer .............................. | Ardonagh Midco 2 plc. |
| Notes Offered ..................... | U.S.$500,000,000 in aggregate principal amount of % / Senior PIK Toggle Notes due 2026 (the "**Notes**"). |
| Issue Price ......................... | %, plus accrued and unpaid interest, if any, from the Issue Date. |
| Maturity Date ..................... | , 2026. |
| Interest Rate ....................... | Cash Interest (as defined below) will accrue at a rate of % per annum. PIK Interest (as defined below) will accrue at a rate of % per annum. |
| Interest Payment ................... | Interest is payable on the Notes semi-annually in arrears on and each year, commencing on , 2021. Interest on the Notes will accrue from the Issue Date. The Indenture will provide that interest is payable (a) for any interest period beginning on or prior to the second anniversary of the Issue Date, at the option of the Issuer (in its sole discretion), (i) entirely in cash ("**Cash Interest**"), (ii) by increasing the principal amount of the Notes or by issuing Notes in a principal amount equal to such interest, in each case, rounded down to the nearest $1.00 (in each case, "**PIK Interest**"), or (iii) a combination of Cash Interest and PIK Interest and (b) for any interest period beginning after the second anniversary of the Issue Date, entirely in Cash Interest.<br><br>The Issuer's ability to pay Cash Interest on the Notes will be limited by certain covenants in the Senior Secured Credit Facilities Agreement. See *"Risk Factors—Risks Related to the Notes, the Notes Guarantee and the Collateral—The Issuer will have the discretion on the Notes in PIK Interest rather than cash for any interest period beginning prior to the Issue Date"* and *"Risk Factors—Risks Related to our Financial Profile—The Issuer is a holding company dependent upon cash flow from subsidiaries to meet its obligations on the Notes."* |
| Minimum Denominations ............ | Minimum denomination of $200,000 and integral multiples of $1.00 in excess thereof. |
| Notes Guarantees ................... | Subject to and in accordance with the Agreed Security Principles, the Notes will be guaranteed on a senior subordinated basis on (a) the Issue Date, by the Original Guarantor, (b) the date that is the earlier of (i) the date that such entity provides a guarantee under the Senior Secured Credit Facilities Agreement and (ii) 90 days from (but excluding) the Issue Date, the Post-Closing Guarantors, (c) the date that is the earlier of (i) the date that such entity provides a guarantee under the Senior Secured Credit Facilities Agreement and (ii) 90 days from (but excluding) the Bravo Closing Date, the Bravo Guarantors, (d) the date that is the earlier of (i) the date that such entity provides a guarantee under the Senior Secured Credit Facilities Agreement and |

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| | (ii) 90 days from (but excluding) the Arachas Closing Date, the Arachas Guarantor and (e) the date that is the earlier of (i) the date that such entity provides a guarantee under the Senior Secured Credit Facilities Agreement and (ii) 90 days from (but excluding) the Bennetts Closing Date, the Bennetts Guarantor.<br><br>The Issuer and the Guarantors will represent more than 90% of our Total Pro Forma Adjusted EBITDA for the twelve months ended March 31, 2020. Following the Transactions, all of the UK or Ireland insurance broking assets owned by our principal shareholders will be owned by the Group. |
| Ranking of the Notes . . . . . . . . . . . . . . . . | The Notes will:<br>• be general senior obligations of the Issuer;<br>• rank *pari passu* in right of payment with all of the Issuer's existing and future indebtedness that is not expressly subordinated in right of payment to the Notes;<br>• rank senior in right of payment to all of the Issuer's existing and future indebtedness that is expressly subordinated in right of payment to the Notes;<br>• be effectively subordinated to all existing and future indebtedness of the Issuer and its subsidiaries that is secured by property and assets that do not secure the Notes or that is secured on a first-priority basis over property or assets that secures the Notes on a second-priority basis, to the extent of the value of the property and assets securing such obligation or indebtedness, including obligations under the Senior Secured Credit Facilities Agreement and certain hedging obligations; and<br>• be structurally subordinated to any existing or future obligations, including their obligations to trade creditors, of any subsidiary of the Issuer if that subsidiary is not also a Guarantor or Issuer of the Notes. |
| Ranking of the Notes Guarantees . . . . . . | Each Note Guarantee will:<br>• be a senior subordinated obligation of the relevant Guarantor;<br>• be subordinated in right of payment to all of the Guarantors' existing and future senior indebtedness, including any obligations under the Senior Secured Credit Facilities Agreement and certain hedging obligations;<br>• rank senior in right of payment to all of such Guarantors' existing and future indebtedness that is expressly subordinated in right of payment to such Notes Guarantee;<br>• be effectively subordinated to all existing and future indebtedness of such Guarantor that are secured by property or assets that do not secure such Notes Guarantee or that is secured on a first-priority basis over property or assets that secures the Notes on a second-priority basis, to the extent of the value of the property and assets securing such obligation or indebtedness, including obligations under the Senior Secured Credit Facilities Agreement and certain hedging obligations; and<br>• be structurally subordinated to any existing or future obligations, including their obligations to trade creditors, of any subsidiary of such Guarantor if that subsidiary is not also a Guarantor or Issuer of the Notes. |

The obligations of each Guarantor will be limited as described under "*Description of the Notes—The Note Guarantees*" and will be subject to certain contractual and legal limitations. See "*Service of Process and Enforcement of Civil Liabilities*" and "*Certain Insolvency Law Considerations*." Each Note Guarantee will be subject to the terms of the Intercreditor Agreement, including certain payment blockage, standstill and turnover provisions. See "*Description of Other Indebtedness and Financing Arrangements—Intercreditor Agreement*." Each Note Guarantee may be released under certain circumstances. See "*Description of the Notes—The Note Guarantees—Note Guarantee Release*" and "*Risks Related to the Notes, the Notes Guarantees and the Collateral—There are circumstances other than the repayment or discharge of the Notes under which the Notes Guarantees or the Collateral securing the Notes will be released automatically without your consent or the Trustee or the Security Agent obtaining your further consent.*"

Collateral . . . . . . . . . . . . . . . . . . . . . . . . . Subject to the Agreed Security Principles and certain perfection requirements, the Notes and the Note Guarantees will be secured on or about the Issue Date:

- on a first-ranking basis, by security over (i) the shares of the Issuer held by Ardonagh Midco 1 Ltd. ("**Holdco**"), (ii) material assets of the Issuer (including its material bank accounts) other than certain excluded assets, pursuant to a floating charge and (iii) structural intercompany receivables owed to Holdco by the Issuer (if any) (the "**First-Ranking Collateral**"); and
- on a second-ranking basis, by security over (i) the shares of the Original Guarantor held by the Issuer and (ii) structural intercompany receivables owed to the Issuer by the Original Guarantor (if any) (the "**Shared Collateral**").

The Shared Collateral will also secure the Secured Credit Facilities and certain hedging obligations, and may secure other future indebtedness, on a first-ranking basis.

The First-Ranking Collateral, the Shared Collateral and any and all assets from time to time in which a security interest has been or will be granted pursuant to any Security Document to secure the obligations under the Indenture, the Notes or any Note Guarantee are collectively referred to as the "**Collateral**").

For more information about the Collateral, see "*Description of the Notes—Security*" and for more information on potential limitations to the security interests, see "*Risk Factors—Risks Related to the Notes, the Notes Guarantees and the Collateral*" and "*Certain Insolvency Law Considerations*."

The security interests in the Collateral may be released in certain circumstances. See "*Description of the Notes—Security—Release of Liens*," "*Description of Other Indebtedness and Financing Arrangements—Intercreditor Agreement*" and "*Risk Factors—Risks Related to the Notes, the Notes Guarrantees and the Collateral—There are circumstances other than the repayment or discharge of the Notes under which the Notes Guarantees or the Collateral securing the Notes will be released automatically without your consent or the Trustee or the Security Agent obtaining your further consent.*"

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| Optional Redemption | At any time on or after , 2022, the Issuer may redeem some or all of the Notes at the redemption prices set forth in "*Description of the Notes—Optional Redemption*" *plus* accrued and unpaid interest (payable at the rate of Cash Interest) and additional amounts, if any, to the date of redemption.<br><br>At any time prior to , 2022, the Issuer may redeem, at its option, some or all of the Notes at a redemption price equal to 100% of the principal amount of the Notes *plus* accrued and unpaid interest (payable at the rate of Cash Interest), if any, to the applicable redemption dates plus the applicable "make whole" premium set forth in "*Description of the Notes—Optional Redemption*."<br><br>At any time prior to , 2022, the Issuer may also redeem up to 40% of the original aggregate principal amount of the Notes (including any PIK Interest thereon and the original principal amount of any additional Notes) at a redemption price equal to % *plus* accrued and unpaid interest (payable at the rate of Cash Interest) and additional amounts, if any, *provided* that at least 60% of the original aggregate principal amount of the Notes (including any PIK Interest thereon and the original principal amount of any additional Notes) remain outstanding, with the net proceeds of one or more specified equity offerings. See "*Description of the Notes—Optional Redemption*." |
| Change of Control | Upon certain events defined as constituting a change of control, the Issuer may be required to make an offer to purchase the outstanding Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest (payable at the rate of Cash Interest) and additional amounts, if any, to the date of purchase. See "*Description of the Notes—Change of Control.*" |
| Redemption for Taxation Reasons | If certain changes in the law of any relevant taxing jurisdiction impose certain withholding taxes or other deductions on the payments on the Notes or the Notes Guarantees and as a result additional amounts are required to be paid, the Issuer may redeem the Notes, in whole, but not in part, at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest (payable at the rate of Cash Interest) and additional amounts, if any, to the date of redemption. See "*Description of the Notes—Redemption for Taxation Reasons*." |
| Additional Amounts | All payments made by the Issuer or any relevant Guarantor with respect to the Notes will be made without withholding or deduction for, or on account of, any present or future taxes in any relevant taxing jurisdiction unless so required by applicable law. If withholding or deduction for such taxes is required by law in any relevant tax jurisdiction with respect to a payment on the Notes or the Notes Guarantees, subject to certain exceptions, the Issuer or the relevant Guarantor, as the case may be, will pay the additional amounts necessary so that the net amount received after the withholding or deduction is not less than the amount that would have been received in the absence of the withholding or deduction. See "*Description of the Notes—Withholding Taxes/Additional Amounts*." |
| Certain Covenants | The Indenture contains covenants which, among other things, limit the Issuer's ability and the ability of its restricted subsidiaries to:<br><br>• incur or guarantee additional indebtedness and issue certain preferred stock; |

- make certain restricted payments, including dividends or other distributions;
- create or permit to exist certain liens;
- sell certain assets;
- create certain restrictions on the ability of our restricted subsidiaries to pay dividends or make other payments to us;
- merge or consolidate with other entities or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis;
- guarantee certain types of additional debt of the Issuer or a Guarantor without also guaranteeing the Notes;
- engage in certain transactions with affiliates;
- impair the security interests in the Collateral; and
- create unrestricted subsidiaries.

These covenants are subject to a number of important limitations and exceptions as described under "*Description of the Notes—Certain Covenants.*"

Transfer Restrictions . . . . . . . . . . . . . . . The Notes and the Notes Guarantees have not been and will not be registered under the U.S. Securities Act or the securities laws of any other jurisdiction and may not be offered or sold, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. We have not agreed to, or otherwise undertaken to, and do not intend to register the Notes (including by way of an exchange offer). See "*Notice to Investors*."

Use of Proceeds . . . . . . . . . . . . . . . . . . . The Issuer intends to use the proceeds of the Offering, together with certain proceeds from drawings under the Term Facility, (i) to fund the Existing Notes Redemption; (ii) to repay drawn amounts under the Existing Revolving Credit Facility Agreement; (iii) to fund the Arachas Acquisition, the Bravo Acquisition and the Bennetts Acquisition; (iv) to pay the fees and expenses incurred in connection with the Transactions, including fees and expenses incurred in connection with the Offering and redemption costs incurred in connection with the Existing Notes Redemption; and (v) for general corporate purposes. See "*Use of Proceeds*" and "*Capitalization*."

Certain U.S. Federal Income Tax Considerations . . . . . . . . . . . . . . . . . . . Because no portion of the stated interest on the Notes is unconditionally payable in cash at least annually, no stated interest payments on the Notes will be treated as qualified stated interest for U.S. federal income tax purposes. As a result, the Notes will be treated as issued with original issue discount ("**OID**") for U.S. federal income tax purposes in an amount equal to the excess of the total payments of principal and stated interest on the Notes over their issue price. Holders subject to U.S. federal income taxation generally will be required to include OID in gross income (as ordinary income) for U.S. federal income tax purposes as it accrues (on a constant yield to maturity basis), in advance of the receipt of cash attributable to that income, irrespective of their regular method of tax accounting. See "*Certain United States Federal Income Tax Considerations*."

If the Notes would otherwise constitute an "applicable high yield discount obligation" within the meaning of Section 163(i) of the U.S.

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| | Internal Revenue Code of 1986, as amended (the "**Code**") or any successor provisions, on any interest payment date on or after the fifth anniversary of the Issue Date, the Issuer shall pay in cash a minimum amount of interest that has been previously accrued and unpaid (including any PIK Interest previously paid on the Note), by redeeming, pro rata, a portion of the Notes outstanding as such time, as shall be necessary to ensure that the Notes shall not be considered an applicable high yield discount obligation. No partial repayment of the Notes prior to any such interest payment date pursuant to any other provision of the Indenture will alter the Issuer's obligation to make the payments pursuant to the preceding sentence. |
| Listing | Application will be made for listing particulars to be approved by the Exchange and for the Notes to be listed on the Official List of the Exchange. |
| Governing Law of the Indenture, the Notes Guarantees and the Notes | The State of New York. |
| Governing Law of the Security Documents and the Intercreditor Agreement | England and Wales. |
| Trustee | Ankura Trust Company, LLC. |
| Security Agent | Ankura Trust Company, LLC. |
| Paying Agent and Transfer Agent | Ankura Trust Company, LLC. |
| Registrar | Ankura Trust Company, LLC. |

## SUMMARY HISTORICAL FINANCIAL INFORMATION AND OTHER DATA

The following summary historical consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, and consolidated statement of cash flows for Topco (i) as of and for the year ended December 31, 2019 and as of and for the year ended December 31, 2018 have been derived from the Ardonagh 2019 Audited Financial Statements which have been prepared in accordance with IFRS and are included elsewhere in this offering memorandum, and (ii) as of and for the three months ended March 31, 2020 and March 31, 2019 have been derived from the Ardonagh Q1 2020 Unaudited Interim Financial Statements which have been prepared in accordance with IAS 34 and are included elsewhere in this offering memorandum. In the Ardonagh 2019 Audited Financial Statements, the consolidated statement of financial position as of December 31, 2018 and the consolidated statements of profit or loss and other comprehensive income and of cash flows for the year ended December 31, 2018, were restated principally to reflect the recognition of a deferred tax asset, and related impact in the tax credit line item, in our consolidated financial statements in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. The adjustment increased deferred tax assets and decreased retained losses in the statement of financial position by £32.4 million as of December 31, 2018, and it increased the tax credit in the income statement for the year ended December 31, 2018 by £8.9 million (see note 30 in Ardonagh 2019 Audited Financial Statements). In addition, in the consolidated statement of financial position as of December 31, 2018 included in the Ardonagh 2019 Audited Financial Statements, we subsumed the share-payment reserve of £0.2 million, which was previously presented separately, within retained losses and reclassified £0.1 million related to purchase of own shares from retained losses to a treasury shares reserve. Therefore, the consolidated statement of financial position as of December 31, 2018 and the consolidated statements of profit or loss and other comprehensive income and of cash flows for the year ended December 31, 2018 included in this offering memorandum differ from the consolidated statement of financial position as of December 31, 2018 and from the consolidated statements of profit or loss and other comprehensive income and of cash flows for the year ended December 31, 2018 included in Ardonagh 2018 Audited Financial Statements. The Ardonagh 2018 Audited Financial Statements, together with Deloitte LLP's audit report thereon, should be read in the context of the Ardonagh 2019 Audited Financial Statements, which present these subsequent restatements, together with Deloitte LLP's audit report thereon.

Similarly, the unaudited condensed interim consolidated statements of profit or loss and other comprehensive income and of cash flows for the three months period ended March 31, 2019, included in the Ardonagh Q1 2020 Unaudited Interim Financial Statements, have been restated to reflect (i) the impact of the deferred tax asset described in the paragraph above which increased deferred tax assets and decreased retained losses in the statement of financial position by £34.7 million as of March 31, 2019 and increased the tax credit in the income statement for the three months ended March 31, 2019 by £2.3 million and (ii) the reclassification of the item "derecognition of assets following a sale of business" presented in the amount of £0.8 million to "depreciation, amortization and impairment of non-financial assets" in the unaudited condensed interim consolidated statement of profit or loss and other comprehensive income. Therefore, the unaudited condensed interim consolidated statements of profit or loss and other comprehensive income and of cash flows for the three months period ended March 31, 2019, included in the Ardonagh Q1 2020 Unaudited Interim Financial Statements included in this offering memorandum differ from the unaudited condensed interim consolidated statements of profit or loss and other comprehensive income and of cash flows for the three months period ended March 31, 2019, included in the Ardonagh unaudited interim financial statements as of and for the three months ended March 31, 2019.

This section includes financial information prepared under IFRS and certain non-IFRS financial measures. You should read the information summarized below in conjunction with the information contained in "*Presentation of Financial Information*," "*Use of Proceeds*," "*Capitalization*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations,"* and "*Description of the Notes,*" the Ardonagh Financial Statements, which are included elsewhere in this offering memorandum.

***Topco Consolidated Statement of Profit or Loss and other Comprehensive Income***

| £ thousands | Year ended December 31, 2018* | Year ended December 31, 2019 | Three months ended March 31, 2019* | Three months ended March 31, 2020 | Twelve months ended March 31, 2020 |
|---|---|---|---|---|---|
| Commission and fees | 521,901 | 640,662 | 151,920 | 155,219 | 643,961 |
| Other income | 2,572 | 22,168 | 4,503 | 4,087 | 21,752 |
| Investment income | 2,106 | 2,657 | 582 | 522 | 2,597 |
| Salaries and associated costs | (291,372) | (321,556) | (78,141) | (75,113) | (318,528) |
| Other operating costs | (211,211) | (231,655) | (53,484) | (48,095) | (226,266) |
| Impairment of financial assets | (5,061) | (14,465) | (2,095) | (2,081) | (14,451) |
| Depreciation, amortization and impairment of non-financial assets | (71,284) | (95,713) | (24,826) | (21,796) | (92,683) |
| Adjustment to goodwill in respect of prior years | (3,095) | — | — | — | — |
| Fair value (loss)/gain on derivatives | 2,485 | (604) | (593) | — | (11) |
| Share of profit from joint venture | 1,777 | 1,680 | 452 | 372 | 1,600 |
| Share of profit from associate | — | 217 | — | 108 | 325 |
| **Operating profit/(loss)** | **(51,182)** | **3,391** | **(1,682)** | **13,223** | **18,296** |
| Adjustment to gain on disposal of associate | 7,482 | 1,750 | — | — | 1,750 |
| Gain on disposal of business | 19 | 2,244 | 2,572 | — | (328) |
| Finance costs | (94,655) | (113,606) | (28,658) | (27,209) | (112,157) |
| Finance income | 533 | 2,003 | 545 | 227 | 1,685 |
| **Loss before tax** | **(137,803)** | **(104,218)** | **(27,223)** | **(13,759)** | **(90,754)** |
| Tax credit | 35,109 | 30,216 | 4,865 | 83 | 25,434 |
| **Loss for the period** | **(102,694)** | **(74,002)** | **(22,358)** | **(13,676)** | **(65,320)** |
| **Attributable to:** | | | | | |
| Owners of the parent | (106,751) | (77,826) | (22,699) | (14,574) | (69,701) |
| Non-controlling interests | 4,057 | 3,824 | 341 | 898 | 4,381 |
| **Loss for the period** | **(102,694)** | **(74,002)** | **(22,358)** | **(13,676)** | **(65,320)** |

* Restated: We have recognized a deferred tax asset in our consolidated financial statements as of and for the year ended December 31, 2019 in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. A deferred tax asset is recognized on the basis that future taxable profits will arise in the consolidated financial statements as a result of the unwind of the deferred tax liability that was already included in those financial statements in relation to intangible assets recognized on a business combination. The adjustment increased deferred tax assets and decreased retained losses in the statement of financial position by £32.4 million as of December 31, 2018, and it increased the tax credit in the income statement for the year ended December 31, 2018 by £8.9 million. The adjustment increased deferred tax assets and decreased retained losses in the statement of financial position by £34.7 million as of March 31, 2019 and it increased the tax credit in the income statement for the three months ended March 31, 2019 by £2.3 million. Additionally, £0.8 million presented as “derecognition of assets following a sale of business” in the three months ended March 31, 2019 have been reclassified to Depreciation, amortization and impairment of non-financial assets.

*Topco Consolidated Statement of Financial Position*

| £ thousands | As of December 31, 2018* | As of December 31, 2019 | As of March 31, 2020 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 1,095,203 | 1,112,194 | 1,122,642 |
| Property, plant and equipment | 37,008 | 26,168 | 25,569 |
| Right-of-use assets | — | 36,209 | 38,162 |
| Investment in associates and joint ventures | 3,340 | 7,420 | 7,224 |
| Financial assets at fair value through other comprehensive income | 271 | 271 | 271 |
| Trade and other receivables | 17,500 | 15,756 | 15,379 |
| Contract assets | 2,279 | 1,708 | 1,690 |
| Other assets | 3,706 | 9,037 | 10,122 |
| Deferred tax asset | — | 22,687 | 22,246 |
| Derivatives | 1,549 | 1,709 | 19,402 |
| | **1,160,856** | **1,233,159** | **1,262,707** |
| **Current assets** | | | |
| Cash and cash equivalents | 504,956 | 410,903 | 407,686 |
| Trade and other receivables | 255,216 | 155,573 | 169,023 |
| Derivatives | 2,929 | 4,532 | 7,071 |
| Contract assets | 10,315 | 9,801 | 9,835 |
| Other assets | 16,266 | 19,098 | 19,185 |
| Financial assets at fair value through profit or loss | 42 | 36 | 27 |
| Current tax asset | 565 | — | 191 |
| Assets held for sale | 26,753 | 3,735 | 1,856 |
| | **817,042** | **603,678** | **614,874** |
| **Current liabilities** | | | |
| Trade and other payables | (517,442) | (428,287) | (437,784) |
| Borrowings | (39,895) | (44,149) | (88,414) |
| Lease liabilities | — | (10,084) | (11,406) |
| Premium financing liabilities | (72,072) | (4,341) | — |
| Derivatives | (3,529) | (1,970) | (4,086) |
| Contract liabilities | (15,400) | (26,829) | (27,299) |
| Provisions | (55,361) | (60,651) | (48,947) |
| Current tax liability | — | (130) | — |
| Liabilities held for sale | (1,976) | (1,754) | (589) |
| | **(705,675)** | **(578,195)** | **(618,525)** |
| **Net current assets** | **111,367** | **25,483** | **(3,651)** |
| **Non-current liabilities** | | | |
| Trade and other payables | (21,423) | (11,156) | (12,644) |
| Borrowings | (1,104,457) | (1,091,689) | (1,128,981) |
| Lease liabilities | — | (33,021) | (34,182) |
| Derivatives | (9,603) | (19,730) | (3,543) |
| Deferred tax liability | (1,018) | — | — |
| Contract liabilities | (2,425) | (1,471) | (1,432) |
| Provisions | (31,740) | (14,457) | (14,914) |
| | **(1,170,666)** | **(1,171,524)** | **(1,195,696)** |
| **Net assets** | **101,557** | **87,118** | **63,360** |
| **Capital and reserves attributable to the Group's shareholders** | | | |
| Share capital | 6,826 | 7,331 | 7,425 |
| Share premiums | 674,391 | 740,886 | 751,583 |
| Retained losses | (571,495) | (649,006) | (663,478) |
| Hedging reserves | (5,946) | 1,806 | (461) |
| Non-controlling interest reserve | (2,495) | (7,377) | (22,103) |
| Treasury share reserve | (102) | (11,015) | (11,272) |
| Foreign currency translation reserve | (14) | 304 | 763 |
| Shareholders' equity | **101,165** | **82,929** | **62,457** |
| Non-controlling interest | **392** | **4,189** | **903** |
| **Total equity** | **101,557** | **87,118** | **63,360** |

* Restated: See note above in "*Topco Consolidated Statement of Profit or Loss and other Comprehensive Income.*"

*Topco Consolidated Statement of Cash Flows*

| £ thousands | Year ended December 31, 2018* | Year ended December 31, 2019 | Three months ended March 31, 2019* | Three months ended March 31, 2020 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Net cash inflow/(outflow) from operations | 68,818 | 98,419 | (56,950) | 2,732 |
| Interest paid | (40) | (2) | | |
| Interest received | 516 | 2,003 | 545 | 239 |
| Investment income | 2,106 | 2,657 | 582 | 522 |
| Income from associate | — | — | — | 313 |
| Income from joint venture | 1,200 | 1,400 | 301 | 363 |
| Tax (paid)/received | (528) | 1,090 | 163 | (321) |
| Settlement of forward contracts | (691) | (3,484) | — | (216) |
| **Net cash inflow/(outflow) from operating activities** | **71,381** | **102,083** | **(55,359)** | **3,632** |
| **Cash flows from investing activities** | | | | |
| Acquisition of businesses net of cash acquired | (143,388) | 8,827 | 8,427 | (23,900) |
| Purchase of property, plant and equipment | (2,373) | (4,687) | (969) | (1,434) |
| Proceeds on disposal of property, plant and equipment | — | 3,003 | — | 694 |
| Purchase of intangible fixed assets | (19,735) | (13,284) | (2,360) | (2,807) |
| Purchase of shares in an associate | — | (1,483) | — | — |
| Disposal of associate | 52,828 | 28,699 | — | — |
| Disposal of business | (6,997) | — | 29,102 | — |
| Contingent consideration received | 12,400 | 673 | — | — |
| Contingent consideration paid | (7,310) | (1,712) | — | — |
| Lease incentives received | — | 1,566 | — | — |
| Movement in cash and cash equivalents held for sale | — | — | — | 630 |
| Repayment of lease receivable | — | 519 | — | 94 |
| **Net cash (outflow)/inflow from investing activities** | **(114,575)** | **22,121** | **34,200** | **(26,723)** |
| **Cash flows from financing activities** | | | | |
| Proceeds from new loan notes | 261,256 | — | — | — |
| Proceeds from borrowings | 15,000 | — | — | — |
| Repayment of borrowings | (45,000) | — | — | — |
| Interest paid on borrowings | (79,038) | (95,242) | (43,843) | (47,744) |
| Net proceeds/(repayments) | 72,072 | (67,731) | (14,901) | (4,342) |
| Debt transaction costs | (6,406) | (7,012) | (2,749) | (535) |
| Sundry loans issued | — | (8,347) | — | — |
| Revolving Credit Facility drawdown | — | — | — | 70,000 |
| Interest paid on lease liabilities | — | (6,256) | (2,059) | (1,407) |
| Repayment of lease liabilities (2018: Finance lease liabilities) | (44) | (9,819) | (2,742) | (1,562) |
| Transactions with non-controlling interests | (4,518) | (4,304) | — | (94) |
| Distribution to non-controlling interest | — | — | — | (120) |
| Settlement of shareholder loan notes | (4,867) | (4,589) | — | — |
| Purchase of own shares | (116) | (9,514) | — | (1,541) |
| **Net cash inflow/(outflow) from financing activities** | **208,339** | **(212,814)** | **(66,294)** | **12,655** |
| **Net increase/(decrease) in cash and cash equivalents** | **165,145** | **(88,610)** | **(87,453)** | **(10,436)** |
| Cash and cash equivalents at the beginning of the year | 332,916 | 504,956 | 504,956 | 410,903 |
| Effect of movements in exchanges rates on cash held | 6,895 | (5,443) | (3,618) | 7,219 |
| **Cash and cash equivalents at the end of the year[(1)]** | **504,956** | **410,903** | **413,885** | **407,686** |

* Restated: See note above in "*Topco Consolidated Statement of Profit or Loss and other Comprehensive Income*."

(1) *See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Group Management Presentation of Cash Flow for the three months ended March 31, 2020."*

*Other Consolidated Financial and Pro Forma Data*

| £ millions | Year ended December 31, 2018* | Year ended December 31, 2019 | Three months ended March 31, 2019* | Three months ended March 31, 2020 | Twelve months ended March 31, 2020 |
|---|---|---|---|---|---|
| **Total loss for the period** | **(102.7)** | **(74.0)** | **(22.4)** | **(13.7)** | **(65.3)** |
| Finance costs | 94.7 | 113.6 | 28.7 | 27.2 | 112.2 |
| Income tax expenses/(credit) | (35.1) | (30.2) | (4.9) | (0.1) | (25.4) |
| Depreciation, amortization and impairment of non-financial assets | 71.3 | 95.7 | 24.8 | 21.8 | 92.7 |
| Adjustment to goodwill in respect of prior years | 3.1 | — | — | — | — |
| Fair value (gain)/loss on derivatives | (2.5) | 0.6 | 0.6 | — | — |
| Loss from disposal of non-financial assets(1) | 1.4 | 6.8 | 0.4 | 0.4 | 6.9 |
| Foreign exchange movements(2) | (0.4) | 2.8 | 0.9 | (0.8) | 1.1 |
| **Reported EBITDA** | **29.7** | **115.3** | **28.1** | **34.9** | **122.1** |
| Transformational hires(3) | 22.9 | 6.0 | 1.5 | 0.9 | 5.5 |
| Business transformation costs(4) | 31.2 | 39.5 | 10.8 | 4.9 | 33.6 |
| Legacy and other costs(5) | 27.8 | 6.2 | 1.9 | 1.6 | 5.9 |
| Regulatory costs(6) | 0.3 | 14.0 | 0.3 | — | 13.7 |
| Acquisition and financing costs(7) | 5.9 | 6.5 | (0.6) | 1.2 | 8.3 |
| Gain on/adjustment to gain on disposal of associate(8) | (7.5) | (1.8) | — | — | (1.8) |
| Gain on disposal of business(9) | — | (2.2) | (2.6) | — | 0.3 |
| **Adjusted EBITDA** | **110.3** | **183.4** | **39.3** | **43.6** | **187.7** |
| Pro Forma for Completed Transactions(10) | | | | | 1.1 |
| **Adjusted EBITDA Pro Forma for Completed Transactions** | | | | | **188.8** |
| Bravo Acquisition(11) | | | | | 26.3 |
| Arachas Acquisition(11) | | | | | 21.9 |
| Bennetts Acquisition(11) | | | | | 5.0 |
| Annualized cost savings and synergies(12) | | | | | 30.4 |
| Other adjustments(13) | | | | | 3.0 |
| **Total Pro Forma Adjusted EBITDA** | | | | | **275.5** |

* Restated: See note above in "*Topco Consolidated Statement of Profit or Loss and other Comprehensive Income.*"

(1) We define loss from disposal of non-financial assets as the disposal of property, plant and equipment, right-of-use assets (except in the year of transition to IFRS 16) and intangible assets.

(2) We define foreign exchange movements as gains/losses arising on the revaluation of monetary items (debtors, creditors, cash, etc.) and on derivatives to which hedge accounting has not been applied.

(3) We define transformational hires as sign-on bonuses and other non-discretionary bonuses incurred in 2020 and related to new hires in Group functions, sign-on bonuses and other non-discretionary bonuses related to new hires in Ardonagh Portfolio Solutions, and net losses associated with new joiners hired to drive transformational business growth in the Insurance Broking, Specialty & International or MGA operating segments to whom a capacity restriction (no insurer to underwrite policies) or restrictive covenant applies. The net losses are calculated as the recruitment costs, sign-on bonuses, costs of retention and salary ('salary-related costs') incurred during the period of the capacity restriction or covenant, or during the one year period after the capacity restriction or covenant has ended, less the income generated by those new joiners during that period. If the net losses become negative, so that income generated exceeds salary-related costs, this is no longer a management reconciling item for Adjusted EBITDA calculations.

(4) We define business transformation costs as costs (other than restructuring costs) incurred in transforming the legacy Towergate business, in realizing synergy benefits from acquired businesses by reorganizing management and business structures and by implementing new systems and processes, in reorganizing group structures, in transforming business processes, in terminating contractual arrangements, and in driving a cost base that is the right size for the Group.

(5) We define legacy and other costs as non-repeatable costs arising from pre-2016 retention plan payments to key staff so as to provide long-term stability to the business, from insurer loss ratio performance for legacy (to 2018 underwriting years inclusive) underwriting disciplines and decision making, from settlement of historic enhanced transfer value liabilities, from write down of legacy IBA balances and other receivable

balances while enhanced processes are being embedded, costs incurred in 2020 that are directly attributable to the coronavirus pandemic in that they would not otherwise have been incurred, the expense arising from equity-settled and cash-settled share-based payment schemes, and from non-repeatable costs arising from external reviews and process improvements in financial, cash and liquidity reporting, and from commercial disputes.

(6) We define regulatory costs as costs associated with one-off regulatory reviews and with changes in the regulatory and compliance environments. For the twelve months ended March 31, 2020, regulatory costs include a £12.5 million provision related to ETV redress liabilities and £1.0 million related to administration costs in connection therewith.

(7) We define acquisition and financing costs as costs associated with acquiring businesses, with disposing of parts of the business, with raising additional financing (legal and accounting advisors, rating agencies, etc.), and with a change in the value of contingent consideration (after the measurement period has ended).

(8) We define adjustment to gain on disposal of associate as the profit on disposal on January 19, 2018 of our shareholding in Bravo, together with subsequent adjustments to that profit on disposal as a result of changes in the estimated equity value of Bravo and thus in the expected amount of the contingent clawback mechanism set out in the contractual terms of the January 19, 2018 disposal.

(9) We define gain on disposal of business as the profit on disposal on January 1, 2019 of the MGA commercial lines business, together with subsequent adjustments to that profit on disposal.

(10) Pro Forma for Completed Transactions are adjustments to: (a) include the Adjusted EBITDA of new acquisitions from the first day of the immediately preceding comparative period, (b) remove the Adjusted EBITDA and gain or loss on disposal of discontinued operations, and of other business disposals from the current and prior period, where they have occurred prior to the end of the reporting period, and (c) reflect financing transactions as if they had occurred on the first day of the prior period.

(11) In connection with the Bravo, Arachas and Bennetts Acquisitions, we commissioned third-party due diligence reports to analyze the financial condition and operations of the Bravo Group, the Arachas Group and the Bennetts Group.

We have adjusted our Adjusted EBITDA Pro Forma for Completed Transactions to give effect to (i) an estimated £22.5 million for the acquisition of Bravo, representing the Adjusted EBITDA Pro Forma for Completed Transactions of Bravo (based on unaudited financial information of Bravo for the twelve months ended March 31, 2020) after giving pro forma effect to the acquisitions completed by Bravo in the same period and adjusting for the estimated impact of change in accounting policies to align to those of the Ardonagh Group, and (ii) £3.9 million of estimated annualization of cost savings initiatives and synergies that we expect to realize following the acquisition of Bravo.

We have adjusted our Adjusted EBITDA Pro Forma for Completed Transactions to give effect to (i) an estimated £19.4 million for the acquisition of Arachas, representing the Adjusted EBITDA Pro Forma for Completed Transactions of Arachas (based on unaudited financial information of Arachas for the twelve months ended March 31, 2020 and calculated using an exchange rate of €1.15 to £1.00), after giving pro forma effect to acquisitions completed by Arachas in the same period and adjusting for the estimated impact of change in accounting policies to align to those of the Ardonagh Group, and (ii) £2.5 million of estimated annualization of cost savings initiatives and synergies that we expect to realize following the acquisition of Arachas.

We have adjusted our Adjusted EBITDA Pro Forma for Completed Transactions to give effect to (i) an estimated £4.2 million for the acquisition of Bennetts, based on unaudited financial information of Bennetts for the twelve months ended March 31, 2020, and (ii) £0.8 million of the estimated annualization of cost savings initiatives and synergies that we intend to realize following the acquisition of Bennetts, net of the annualized impact of a change in contract. The Bennetts Acquisition is subject to certain conditions, including regulatory and competition approvals and if these conditions are not satisfied on or prior to the longstop date, the Bennetts Acquisition Agreement may be terminated. See "*Risk Factors—Risks Related to Our Business and Industry—Our selective acquisition and disposal strategy exposes us to risks, including the risk that we may not be able to successfully integrate acquired businesses or that acquisitions may have liabilities that we are not aware of and may not be as profitable as we may have expected them to be and that disposals may not have the impact on results of operations that we expected them to have.*"

(12) Annualized cost savings and synergies are comprised of £10.7 million of annualized cost savings and synergies for which actions were already taken and £19.7 million of annualized cost savings and synergies for which actions have been identified and are planned to be taken in the next twelve months. Annualized cost savings and synergies for which actions were already taken consist of (i) £2.5 million of Advisory platform cost savings and synergies including annualization of benefits from Acturis implementation, property rationalization, business integrations and support function simplification and benefits from final completion of original Towergate Transformation program; (ii) £3.6 million of Retail platform cost savings and synergies including annualization and completion of support function rationalization in Schemes &

Programmes, third party vendor savings in Paymentshield and annualization optimization of cost base across the Retail operating segment; (iii) £1.7 million of Specialty platform cost savings and synergies including annualization of cost savings from right-sizing the MGA expense base following the Commercial MGA disposal, annualization of Specialty back-office savings from business-wide efficiency program; (iv) £2.9 million of corporate segment cost savings and synergies including annualization of staff savings across central support functions and property footprint rationalization and annualization of benefits from final completion of original Towergate Transformation program. Annualized cost savings and synergies for which have been identified and are planned to be taken in the next twelve months consist of (i) £2.2 million of Advisory platform cost savings and synergies including benefits from further business integration, management and back office savings, (ii) £6.2 million of Retail platform cost savings and synergies including continued optimization of cost base across the retail operating segment including Autonet, Carole Nash, Swinton, annualization of benefits from Swinton branch closures and integration with Autonet, further benefits from integration of Paymentshield and Schemes & Programmes retail business with Autonet, Carole Nash and Swinton; (iii) £10.6 million of Specialty platform cost savings and synergies including operational excellence program focused on digital transformation, reduced administrative and back-office staff costs, central procurement savings and rationalization of underperforming teams, leveraging Group prior experience and resource, and synergies from the integration of the Rural acquisition; and (iv) £0.7 million of corporate segment cost savings and synergies including third party support cost savings.

(13) Other adjustments are comprised of (i) annualized Reported EBITDA of £1.7 million generated by strategic partnership agreements that we signed with several carriers based on fixed fee arrangements, and (ii) Reported EBITDA of £1.8 million which we expect to be contributed, based on current premium at minimal additional cost, by a new product facility which consolidated multiple existing carrier arrangements across the Group, minus £0.5 million Reported EBITDA already generated by these agreements to date.

### *Other As Adjusted Income Data*

The table below presents the reconciliation of Total Income Pro Forma for Completed Transactions and Total Pro Forma Income to Total Income for the twelve months ended March 31, 2020:

| £ in millions | For the twelve months ended March 31, 2020 |
|---|---|
| **Total Income**[(1)] | **670.1** |
| Pro Forma for Completed Transactions[(2)] | 3.9 |
| **Total Income Pro Forma for Completed Transactions** | **673.9** |
| Bravo Acquisition[(3)] | 79.2 |
| Arachas Acquisition[(3)] | 43.5 |
| Bennetts Acquisition[(3)] | 17.6 |
| **Total Pro Forma Income** | **814.2** |

(1) Total Income as presented above comprises the sum of commission and fees, other income, investment income and finance income.

(2) Pro Forma for Completed Transactions are adjustments to: (a) include the total income of new acquisitions from the first day of the immediately preceding comparative period, and (b) remove the total income on disposal of discontinued operations, and of other business disposals from the current and prior period, where they have occurred prior to the end of the reporting period.

(3) In connection with the Bravo, Arachas and Bennetts Acquisitions, we commissioned third-party due diligence reports to analyze the financial condition and operations of the Bravo Group, the Arachas Group and the Bennetts Group. We have adjusted the Total Income Pro Forma for Completed Transactions to give effect to (i) £79.2 million Total Income Pro Forma for Completed Transactions of Bravo, based on unaudited financial information of the Bravo for the twelve months ended March 31, 2020 (ii) £43.5 million Total Income of Pro Forma for Completed Transactions of Arachas, based on unaudited financial information of the Arachas for the twelve months ended March 31, 2020, and (iii) £17.6 million Total Income of Bennetts, based on unaudited financial information of Bennetts for the twelve months ended March 31, 2020. The Bennetts Acquisition is subject to certain conditions, including regulatory and competition approvals and if these conditions are not satisfied on or prior to the longstop date, the Bennetts Acquisition Agreement may be terminated.

***Other As Adjusted Financial Information of Topco***

| **£ in millions, unless otherwise indicated** | **As of and for the twelve months ended March 31, 2020** |
|---|---|
| Total Pro Forma Adjusted EBITDA | 275.5 |
| As adjusted net cash and cash equivalents(1) | 63.1 |
| As adjusted senior secured debt(2) | 1,575.0 |
| As adjusted net senior secured debt(3) | 1,511.9 |
| As adjusted total debt(4) | 2,030.5 |
| As adjusted total net debt(5) | 1,967.4 |
| As adjusted cash interest expense(6) | |
| Ratio of as adjusted net secured debt to Total Pro Forma Adjusted EBITDA | 5.5x |
| Ratio of as adjusted total net debt to Total Pro Forma Adjusted EBITDA | 7.1x |
| Ratio of Total Pro Forma Adjusted EBITDA to as adjusted cash interest expense | x |

(1) As adjusted net cash and cash equivalents represents £55.1 million of Available Cash as of March 31, 2020 as adjusted for (i) the Offering, and (ii) the Transactions. See "*Capitalization*."

(2) As adjusted senior secured debt (i) includes £1,575.0 million (equivalent) of aggregate principal amount drawn under the Term Facility, excluding capitalized transaction costs, (ii) excludes lease liabilities of £45.6 million for Ardonagh, and an estimated £9.9 million for Bravo, Arachas and Bennetts and (iii) assumes the New Revolving Credit Facility and the CAR Facility were undrawn.

(3) As adjusted net senior secured debt represents as adjusted secured debt *less* as adjusted cash and cash equivalents.

(4) As adjusted total debt (i) includes £1,575.0 million (equivalent) of aggregate principal amount drawn under the Term Facility, excluding capitalized transaction costs, (ii) includes lease liabilities of £45.6 million for Ardonagh, and an estimated £9.9 million for Bravo, Arachas and Bennetts, (iii) includes £400.0 million (equivalent) of Notes offered hereby (calculated using an exchange rate of $1.25 to £1.00), in each case, excluding capitalized transaction costs, and (iv) assumes the New Revolving Credit Facility and the CAR Facility were undrawn.

(5) As adjusted total net debt represents as adjusted total debt *less* as adjusted cash and cash equivalents.

(6) As adjusted cash interest expense reflects Topco's cash interest expense, which (i) includes the Secured Credit Facilities and the Notes as if the Transactions had occurred on March 31, 2019, (ii) assumes the New Revolving Credit Facility and the CAR Facility were undrawn during the period, (iii) excludes commitment fees on the New Revolving Credit Facility and the CAR Facility and any amortization of any OID, and (iv) assumes interest was PIK where possible for the Secured Credit Facilities and the Notes.

As adjusted cash interest expense has been presented for illustrative purposes only and does not purport to represent what our cash interest expense would have actually been had the Transactions occurred on the date assumed, nor does it purport to project our cash interest expense for any future period or our financial condition at any future date.

## RISK FACTORS

*You should carefully consider the following risk factors together with all the other information included in this offering memorandum before purchasing the Notes. The risks below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently consider immaterial may also materially and adversely affect our business or operations. Any of the following risks could result in a material adverse effect on our business, financial condition, results of operations and our ability to service our debt, including the Notes.*

*Unless otherwise stated or the context otherwise requires, in this section the terms "we," "us," and "our" refer to the Issuer and its subsidiaries after giving effect to the Transactions.*

### Risks Related to Our Business and Industry

***Our business may be adversely affected by a decline in economic conditions in the United Kingdom or globally and by other market risks, including the COVID-19 pandemic and Brexit.***

Our business operates predominantly in the United Kingdom. As a result, we are particularly affected by economic developments and regulatory and political changes in the United Kingdom and are also affected by any similar developments across Europe or markets globally, including the COVID-19 pandemic and Brexit. Economic difficulties, increased competition between insurers due to an economic downturn and other factors may prevent increases in premiums or may even cause the premium rates on which commissions are based to decline. In addition, any significant reduction or delay by customers in purchasing insurance or making payment of premiums could have a negative impact on our business. Factors such as declining business and consumer confidence, lower household income and consumer spending, downturns in the property market and other economic challenges could have a significant negative impact on the buying behavior of our commercial and individual customers. Insolvencies associated with continuing economic uncertainty could adversely affect our business through the loss of customers or by hindering our ability to place insurance. Due to their size, our SME business customers may be more vulnerable to any economic downturn and may be more prone to insolvency than larger commercial customers.

In late 2019, a novel strain of coronavirus, COVID-19, was first detected in Wuhan, China. In March 2020, the World Health Organization declared COVID-19 a global pandemic, and governmental authorities around the world have implemented measures to reduce the spread of COVID-19. These measures have adversely affected workforces, consumer sentiment, economies, and financial markets, and, along with decreased consumer spending, have led to an economic downturn in many markets. To the extent the COVID-19 pandemic continues to cause business disruptions for an extended period of time, we may experience disruptions to our business, including the following:

- Clients may choose to limit purchases of insurance due to declining business conditions and a lack of in-person meetings may limit the ability to establish relationships or originate new business, both of which would inhibit our ability to generate commission revenue or other revenue based on premiums placed, which could adversely impact our cash flow;
- Our clients may experience financial distress, file for bankruptcy, go out of business, or suffer disruptions in their business due to COVID-19, leading to delays or defaults in their payments to us;
- To mitigate the economic impact caused by COVID-19, certain governmental entities have declared or proposed a "grace period" on the collection of insurance premiums. It is unclear the impact this would have on our commission revenues, typically calculated as a percentage of premium. It is possible that such grace periods could delay our receipt of revenues as we continue to incur compensation and operating expenses related to serving our clients. In addition, certain governmental entities have proposed requiring underwriting enterprises to pay business interruption and workers compensation claims for COVID-19 losses despite applicable policy exclusions. Retroactively expanding business interruption or other coverages could materially negatively affect underwriting enterprises, reduce the availability of insurance coverage, and negatively affect our ability to generate commission revenues from such policies as well as supplemental and contingent commissions from underwriting enterprises. Future legislation could require underwriting enterprises to return premiums to clients on certain lines of coverage. While it is unclear the impact such legislation would have on us, it is possible we could be asked to disgorge commission revenues related to such premiums;
- Claimants who have been denied coverage and sue insurance providers may also bring actions against us, as we inform claimants of insurance coverage and compensability determinations on behalf of our third-party

claims administration clients (including, recently, regarding numerous COVID-19 related claims) on the basis of client direction or written opinions from outside counsel; and

- An increase in data breaches due to fishing attacks and the circumvention of our security systems due the vast majority of our employees working from home.

For the month ended April 30, 2020, Ardonagh Advisory and Ardonagh Retail platforms both experienced a reduction income as compared to the same period in 2019, primarily due to cover adjustments, deferrals and lower new business in some operating segments. We cannot predict the degree to, or the time period over, which our operations will be affected by this outbreak, and the effects could be material.

To date, the COVID-19 pandemic has caused, and is continuing to cause, significant disruption in economic activity globally which could lead to a global recession that would have a further adverse impact on our financial condition and operations. A decrease or halt in economic activity in large geographic areas could adversely affect the administration of our business and the marketing of our new insurance policies within such geographic areas, which in turn could have an adverse effect on our business, operations and financial condition.

The effect of the global COVID-19 pandemic on our business and the insurance industry generally will ultimately depend on a number of factors, including, but not limited to, the duration and severity of the outbreak and the length of time it takes for demand and pricing to return and for normal economic and operating conditions to resume. There are no comparable recent events that provide us with guidance, and so we cannot currently estimate this with any certainty nor can we provide any assurance that COVID-19 will not continue to have a material adverse effect on our business, financial condition and results of operations. To the extent COVID-19 continues to adversely affect our business, operations, financial condition and operating results, it may also have the effect of heightening other risks described in this "*Risk Factors*" section, such as those relating to our high level of indebtedness, our need to generate sufficient cash flows to service our indebtedness, and our ability to comply with the covenants contained in the agreements that govern our indebtedness.

The UK formally withdrew from the EU on January 31, 2020, following the national referendum in June 2016 ("**Brexit**") and entered into a transition period during which it will continue its ongoing and complex negotiations with the European Union relating to the future trading relationship between the parties. Significant political and economic uncertainty remains about whether the terms of the relationship will differ materially from the terms before Brexit, as well as about the possibility that a so-called "no deal" separation will occur if negotiations are not completed by the end of the transition period. Additionally, the tax implications of the UK's departure from the EU are not certain as of the date of this offering memorandum. Brexit could, among other outcomes, significantly disrupt trade between the UK and the EU and cause political and economic instability in other countries of the EU. Due to the size and importance of the UK's economy, the uncertainty and unpredictability concerning the UK's legal, political and economic relationship with Europe after Brexit may continue to be a source of instability in our markets and could result in significant macroeconomic deterioration. It is also possible that Brexit will lead other EU member states to consider leaving the EU, which could be an additional source of instability. This instability and the potential weakening of economics conditions could adversely impact the financial condition of our customers and their ability to spend on insurance products.

While it is difficult to predict any deterioration in economic conditions in the United Kingdom due to Brexit and the specific consequences for our business, any significant reduction or delay by customers in purchasing insurance or making payment of premiums could have a negative impact on our business. It is not certain what the future relationship between the United Kingdom and European Union in relation to financial services market access will be, although there are various possible new or modified arrangements that may be adopted. Some of these proposed arrangements depend on mutual recognition between the United Kingdom and other European Union Member States, in particular, equivalence-based relationships which rely on existing equivalence provisions in European Union legislation. There is not, however, an existing equivalence framework for insurance mediation and the existing insurance and reinsurance frameworks do not provide meaningful market access. If there are no new or modified arrangements in place following the United Kingdom's exit (i.e., if there is "no deal"), UK insurance companies and insurance intermediaries could face significant new restrictions on doing business in other European Union Member States or with clients based in other European Union Member States, and vice versa. While we conduct limited business that is reliant upon European Union passporting rights between the United Kingdom and the European Union, the loss of passporting rights may affect the insurance markets in which we operate, possibly reducing insurance capacity, competition and choice. Uncertainty regarding these new or modified arrangements between the United Kingdom and other countries, both within and without the European Union, may also create greater volatility in the pound sterling and have a material adverse effect on the buying behavior of commercial and individual customers. The role of European Union directives, including the Insurance Remediation Directive, and European Union regulations may change and we face uncertainty as to how the United Kingdom will repeal, amend and/or replace any directly enforceable European Union regulations or any local laws or regulations based on European Union directives or other guidance.

These developments, or the perception that these developments could occur, have had and may continue to have a material adverse effect on market confidence in the United Kingdom, European and global economic conditions and stability of financial markets and could significantly reduce market liquidity and restrict the ability of key market participants to operate in certain financial markets. Lack of clarity about future UK laws and regulations as the United Kingdom determines which European Union laws to replace or replicate including financial laws and regulations, tax and free trade agreements, intellectual property rights and employment laws, could decrease foreign direct investment in the United Kingdom, increase costs, depress economic activity and restrict our access to capital.

Additionally, political instability in the European Union as the result of Brexit may result in a material negative effect on credit markets and foreign direct investments in the European Union and United Kingdom. This deterioration in economic conditions could result in increased unemployment rates, increased short and long-term interest rates, consumer and commercial bankruptcy filings, a decline in the strength of national and local economies and other results that negatively impact household incomes. Further, there can be no assurance that the Bank of England will maintain consistent policies, particularly, in light of Brexit negotiations. The Secured Credit Facilities are linked to LIBOR, and we are therefore indirectly impacted by decisions made by the Bank of England. See "*Description of Other Indebtedness and Financing Arrangements—Senior Secured Credit Facilities Agreement*" and "*—Risks Related to our Financial Profile—The Secured Credit Facilities bear interest at floating rates that could rise significantly, increasing our interest cost and reducing cash flow.*" Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

Many of our regulatory obligations described under "*Business—Regulatory*" are based on, or are derived from, European Union measures. Depending on the terms of Brexit, some or all of our regulatory framework may be amended or modified. Any of the abovementioned negative impacts on the United Kingdom or other European economy could negatively impact our business, results of operations and financial condition.

Although we primarily market products to customers in the United Kingdom, we also have a small business in Europe and we are in the process of completing the acquisition of Arachas which is based in the Republic of Ireland. We may be subject to fluctuations in the exchange rate between the currencies used by these small businesses, including the acquisition of Arachas, and sterling. Our Specialty & International segment places insurance for global risks and as a result its profitability is affected by international economic developments and currency fluctuations. In particular, our Specialty & International segment places insurance for a significant amount of mining, natural resources and energy risks and significant price fluctuations in these commodities, whether due to supply conditions, geopolitical or economic variables, weather or other unpredictable external factors may have a negative effect on our clients' economic position and as a result may have a negative effect on our business, results of operations and financial condition.

Any of the aforementioned factors, individually or in the aggregate, that negatively impact the UK insurance market, the UK economy more generally, or European or global economic growth and stability more generally could increase our operating costs, impose additional regulatory burdens and have a material adverse effect on our business, results of operations and financial condition. If a significant insurer fails or withdraws from writing certain insurance coverage that we offer our clients, overall underwriting capacity in the industry could be negatively affected, which could reduce our placement of certain lines and types of insurance. An insurer with whom we place business ceasing to operate could also result in errors and omissions claims by our clients. This or any other negative economic developments in the United Kingdom could reduce customer confidence or limit the demand for our insurance products and as a result could negatively affect earnings and have a material adverse effect on our results of operations.

***We may not be able to fully realize our commercial and strategic vision.***

We may experience difficulties in maximizing collaboration across our portfolio of businesses, including taking advantage of cross-selling opportunities, and may incur higher than expected costs or may fail to realize all of the anticipated benefits of acquisition, transformation and integration activity. Achieving operational efficiencies across our portfolio may involve unforeseen difficulties and may require a disproportionate amount of our management's attention or of our financial and other resources. While we have generated certain operational efficiencies in the past and believe we can continue to generate such efficiencies, we can provide no assurance that we will realize our goals in a timely manner or at all. Furthermore, while we believe that our expected operational efficiencies in respect of the Bravo Acquisition, the Arachas Acquisition and the Bennetts Acquisition are based on reasonable assumptions and diligence, actual developments may differ significantly from our expectations. The failure to achieve our vision in terms of collaboration across the businesses could adversely affect our financial condition and results of operations.

As part of our business strategy, we have identified and continue to identify opportunities to improve profitability by reducing costs and enhancing productivity. Many of our completed IT initiatives focused on improving the reliability and efficiency of our IT platform and reducing costs by using more efficient technologies. Some of our ongoing initiatives focus on streamlining and automating back-office processes, capitalizing on ongoing synergies and identifying cost-savings while integrating new businesses. Any operational efficiencies, cost-savings or optimization of middle- and back-office functions that we expect to realize from such efforts may differ materially from our estimates. In addition, any synergies, cost-savings or productivity enhancements that we realize may be offset, in whole or in part, by reductions in income or through increases in other expenses. We can provide no assurance that these initiatives will be completed as anticipated or that the benefits we expect will be achieved on a timely basis or at all. Our calculation of Total Pro Forma Adjusted EBITDA includes adjustments for cost savings expected to be realized from these initiatives and cost savings in respect of the companies we are acquiring in connection with the Transactions. See "*Summary—Summary Unaudited Pro Forma Adjusted EBITDA and Other As Adjusted Information*" for further information about these adjustments. Although we believe these estimates and assumptions are reasonable, investors should not place undue reliance upon the calculation of Total Pro Forma Adjusted EBITDA given how it is calculated and the possibility that the underlying estimates and assumptions may ultimately not reflect actual results. See also "*—The unaudited Total Pro Forma Adjusted EBITDA, Pro Forma Adjusted EBITDA and Adjusted EBITDA Pro Forma for Completed Transactions information presented is inherently subject to risks and uncertainties*."

***Our selective acquisition and disposal strategy exposes us to risks, including the risk that we may not be able to successfully integrate acquired businesses or that acquisitions may have liabilities that we are not aware of and may not be as profitable as we may have expected them to be and that disposals may not have the impact on results of operations that we expected them to have.***

We intend to continue to selectively pursue further strategic and financially accretive acquisitions and disposals of businesses, assets or insurance books, such as the Bravo Acquisition, the Arachas Acquisition and the Bennetts Acquisition, when and where opportunities exist and fit with our corporate culture, existing operational platform and overall strategy. The success of our strategy is dependent upon our ability to identify suitable acquisition and disposal targets, conduct appropriate due diligence, negotiate transactions on favorable terms and ultimately complete such transactions and integrate the acquired businesses into The Ardonagh Group or reorganize operations following a disposal. We cannot ensure that we will be able to identify attractive acquisition or disposal candidates or complete the acquisition or disposal of any identified candidates at favorable prices and upon advantageous terms. In addition, acquisition targets may require substantial capital expenditures to bring them up to our standards. We may not have the financial resources necessary to consummate acquisitions or make the necessary investments in acquired businesses or have the ability to obtain the necessary funds on satisfactory terms. General economic conditions or unfavorable global capital and credit markets could limit the number of financial institutions that are willing to provide financing to companies in our industry or affect the cost of such financing, which could affect the timing and extent to which we successfully acquire or dispose of such targets.

In addition, on February 14, 2020, we entered into the Bennetts Acquisition Agreement with Saga Services Limited to acquire Bennetts. We currently anticipate that the Bennetts Acquisition will complete prior to the July 31, 2020 longstop date. The Bennetts Acquisition is subject to certain conditions, including regulatory approvals from the FCA and other customary closing actions. If these conditions are not satisfied on or prior to the July 31, 2020 longstop date, and such date has not been extended by the parties, the Bennetts Acquisition Agreement may be terminated by the parties. If the Bennetts Acquisition is not consummated, the amount shown in "*Use of Proceeds*" for the Bennetts Acquisition will be used for general corporate purposes.

Even if we are successful in acquiring target businesses, such as the Bravo Acquisition, the Arachas Acquisition or the Bennetts Acquisition, we may experience difficulties in integrating targets into our business, incur higher than expected costs or fail to realize the anticipated benefits or synergies. Attempting to integrate acquired companies, such as the Bravo Group, the Arachas Group or the Bennetts Group, may involve unforeseen difficulties and may require a disproportionate amount of our management's attention or of our financial and other resources. Such transactions may also disrupt our relationships with current and new employees, customers, capacity partners and industry colleagues. Although we always conduct due diligence investigations prior to each acquisition, we can provide no assurance that we will discover all operational deficiencies or material liabilities of an acquired business for which we may be responsible as a successor owner or operator and actual performance and developments may differ significantly from our expectations or forecasts. Additionally, acquisitions may require the approval of governmental or regulatory authorities which can block, impose conditions on or delay the acquisition process, resulting in a failure on our part to proceed with announced transactions on a timely basis or at all, thus hampering our opportunities for growth.

Any acquisition or other strategic transaction we may undertake in the future could result in the incurrence of debt and contingent liabilities, an increase in interest expenses and amortization expenses related to goodwill or other intangible assets or in the use by us of available cash on hand to finance any such acquisitions. In identifying acquisition targets we may incorrectly assess the market position, growth prospects or underwriting performance of the target business, or whether the business' geographic, distribution channel or product mix fits within our existing operations. We may incorrectly assess the commission and fee income streams of the target business, as well as the potential to increase such streams following the acquisition, upon which the price paid for acquisitions is primarily based. Although we conduct due diligence with respect to the business and operations of acquired businesses, we may fail to identify all material facts concerning these businesses. Unanticipated events or liabilities relating to these businesses could have a material adverse effect on our results of operations, financial condition and cash flow. Such failures to achieve our acquisition target performance goals and could in turn have material adverse effects on our revenue, results of operations, financial condition and cash flow.

***The loss of key personnel could negatively affect our financial results and impair our ability to implement its business strategy.***

Our success substantially depends on our ability to attract and retain key members of the senior management team and key leaders throughout our operating segments. If we were to lose one or more of these key employees, our ability to successfully implement our business plan and the value of the business could be materially adversely affected. We maintain what we believe to be a comprehensive range of staff retention and incentive mechanisms, but we can provide no assurances that we will not lose one or more key members of the senior management team or key leaders in any of our operating segments.

***Disruption to our infrastructure, interruption or loss of our information systems, including our data integrity, a failure of PCWs or other digital distribution channels or a failure to maintain secure information systems could have a material adverse effect on our business.***

Our success depends, in part, on our ability to develop and implement technology solutions that anticipate and keep pace with changes in industry information technology ("**IT**") platforms, industry standards, client preferences and internal control standards. We may not be successful in anticipating or responding to these developments on a timely and cost-effective basis. We can provide no assurance that our IT infrastructure and software systems, or the IT infrastructure of our third-party service providers will not be disrupted or interrupted in a manner that could have a material adverse effect on our business.

Our capacity to service our customers depends in part on storing, retrieving, processing and managing information. An interruption to or loss of our information processing capabilities through the loss of stored data, a failure of our computer equipment or software or telecommunications systems or some other technology disruption could have a material adverse effect on our business, results of operations and financial condition.

A disruption to the infrastructure that supports our business and the communities where we are located, for example, would adversely affect our ability to operate our business. Such disruptions may include a disruption involving terrorist activities, disease pandemics, or disruption to the electrical, communications or other services used by our company, our employees or third parties with whom we conduct business. We have developed a disaster recovery plan for our individual IT services as well as our cloud-based IT data center but there can be no assurance that in the event of a disaster our systems will be fully effective.

We are also dependent upon PCW's to distribute a number of our products. Interruptions to the processing systems of any of the PCWs that distribute our products could have a negative impact on our operations.

A significant failure of any of our platforms could have a material adverse impact on our financial control frameworks and our ability to carry out our internal financial processes. We are also dependent on certain third parties to enable us to complete transactions relating to the pricing and placement of insurance products. A significant failure of these third parties could have a negative impact on our ability to service our customers and complete transactions.

Our 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. Unauthorized data disclosure could occur through cyber security breaches as a result of human error, external hacking, malware infection, malicious or accidental user activity, internal security breaches and physical security breaches due to unauthorized personnel gaining physical access or any other means. In the past, some of our businesses had weak cyber security controls. In particular, with the growing incidence of hacking and other forms of cyberattacks, our IT systems and networks have been, and may in the future be, subject to malicious attacks, including cyber-attacks or the deliberate, accidental or negligent insertion of software viruses or other malicious code, any of which may disrupt or interrupt their normal operation, prevent access to data, cause data loss or corruption, damage or destroy some or all of our systems, cause an unexpected plant or process shutdown or may lead to safety and reliability risks in our computerized industrial control systems.

Attempts may be made to gain unauthorized access to, or deliberately breach, our IT systems and networks in order, for example, to manipulate our proprietary business data or customer information, and even incidents that do not amount to a breach could result in adverse regulatory and financial consequences including breaches of Data Protection Act 2018 and the General Data Protection Regulation, as well as further regulatory intervention, and could harm our reputation. Despite the security measures that we have implemented to prevent unauthorized access to information stored in our database and to comply with relevant data protection regulations, our technology may fail to adequately protect the private information we maintain in our databases from theft or inadvertent leakage. In addition, the transition of most of our employees to working from home increases data compromise risk due to such employees being outside the office environment and are unable to be supervised in-person. See "*—Regulation or other requirements in the areas of privacy, information security and data protection could increase our costs and affect or limit how we collect and/or use personal information and our business opportunities*."

If unauthorized parties do gain access to our networks or databases, they may be able to steal, publish, delete or modify private and sensitive third-party information; misuse could include committing fraud and identity theft. In such circumstances, we may be held liable to our clients or may be subject to regulatory actions for breaching privacy rules. Furthermore, the failure of any of the PCWs that distribute our products or other third-party IT solutions that support distribution of our products and services to maintain secure information systems could result in customers associating our products or brands with such failures, which could have a negative impact on our business, results of operations and financial condition. Any resultant litigation, civil penalties, government investigations or adverse publicity could cause us to incur expenses to resolve these issues, could deter intermediaries and customers from dealing with us or could damage our reputation more broadly, any of which could have a material adverse effect on our reputation and business.

***We continue to implement IT initiatives in order to realize internal efficiencies and deliver scale advantages across our business, often in reliance on third-parties. Any adverse challenges to our implementation of new technologies, systems or processes could have a material adverse effect on our business.***

Although we have been successful in realizing benefits from our IT initiatives, we can provide no assurance that we will realize all of the benefits of our various IT initiatives, including increasing cost-savings or achieving synergies between our various divisions. For example, we have partnered with Mphasis to deliver tailored infrastructure service across various parts of The Ardonagh Group while leveraging Microsoft's Azure cloud platform across several applications. Any or all of the composite segments of the program may be delayed, be more expensive than we may have expected or may not result in the same IT efficiencies, synergies or costs savings for some offices, product markets, or regions as for others, if at all. The installation of certain technologies or systems may prove difficult for our staff to fully utilize such that the expected benefits are not fully realized, if realized at all. Implementation of any IT initiatives may distract management's attention from other aspects of the business, which could have a material adverse effect on our results of operations and financial condition. Furthermore, due to COVID-19, we have proactively reduced or delayed discretionary capital expenditures, including non-business critical IT upgrades. See "*—Our business may be adversely affected by a decline in economic conditions in the United Kingdom or globally and by other market risks, including the COVID-19 pandemic and Brexit*."

In addition, we have outsourced certain financial and other functions to third-party service providers, including Microsoft and Mphasis, in an effort to maximize operating efficiencies. Inadequate management or training of any of these providers could lead to an inability to effectively manage and execute the applicable processes. We are at risk of data security breaches, losing visibility and control of the applicable processes and potential language barriers. Furthermore, the IT platforms for our premium financing are provided by various premium credit providers, including third parties, and thus we have no control and can provide no assurances with respect to risk of data breaches on this platform. See also "*—Regulation or other requirements in the areas of privacy, information security and data protection could increase our costs and affect or limit how we collect and/or use personal information and our business opportunities*." If we do not effectively manage outsourcing relationships, if third-party providers do not perform efficiently or in a timely manner or if we experience problems with transitioning work to a third-party provider, we may experience disruptions in transaction processing or IT services. Further, to the extent that any of the third-party service provider agreements are determined not to benefit us in their current form, we may not be able to renegotiate or rescind any or all of the agreements. If any of the above risks were to materialize, it could negatively impact our business processes, reputation and customers.

The various technologies, systems, processes and third-party relationships that comprise our IT initiatives are intended to operate in a complementary manner, connecting our offices, standardizing our systems and processes and capitalizing on scale advantages across our business. There is a risk that if any one or more individual IT initiatives proves difficult to implement, does not become fully integrated or does not achieve all expected results, the full integration and expected performance of other specific IT initiatives, as well as the impact of the IT initiatives taken as a whole, may be adversely affected. See also "*—Disruption to our infrastructure, interruption or loss of our information systems, including our data integrity, a failure of PCWs or other digital distribution channels or a failure to maintain secure information systems could have a material adverse effect on our business.*"

The success of our business depends in large part on our ability to achieve operational efficiency which we believe our IT initiatives support, but any of the abovementioned obstacles to the successful implementation of our IT initiatives, or any other challenges to the improvement and integration of our IT systems across our IT platforms and companies, may have a material adverse effect on our business, results of operations and financial condition.

***We depend on relationships with third-party brokers, third-party MGAs and other capacity and product providers. Any adverse changes in these relationships could materially adversely affect the business and our operational results and financial condition.***

Our success depends in part on the quality of services provided by, and our relationships with, the third-party brokers (including insurance brokers and mortgage brokers), third-party MGAs, insurers and PCWs through which we distribute a portion of our insurance products. Our relationships with these trading partners are significant factors relating to our success and negative changes in these relationships resulting in a loss of underwriting capacity, disruption of or restricted access to specific distribution channels or less competitive positioning of or to our products can severely inhibit our ability to offer products to our customer. We use PCWs to distribute a number of our products. A failure to maintain our existing relationships with PCWs, or a failure to build relationships with new entrants to the market, could have a material adverse effect on our business, results of operations and financial condition. Our results of operations could also be adversely affected by changes in our commercial arrangements with PCWs, such as increases in the fees charged, changes in fee charging practices or changes in the algorithms PCWs use to respond to PCW customer searches. Any of the aforementioned, or any other deterioration in our relationships with third-party brokers or mortgage intermediaries could have a material adverse effect on our business, financial condition and operating revenues.

***We depend on insurance companies and other third-party capacity and product providers providing us with underwriting capacity and products, but we have no control over such insurance companies' or other third-party capacity and product providers' abilities to provide insurance underwriting capacity and products.***

As an insurance intermediary we depend on insurance companies providing us with insurance underwriting capacity and products, which in turn depends upon, among other things, insurance companies' ability to procure reinsurance, over which we have no control. To the extent that reinsurance becomes less widely available, for example as a result of adverse economic conditions, we may not be able to provide the amounts or types of coverage desired by our customers. To retain underwriting capacity for our MGA, we also need to maintain underwriting discipline and satisfactory loss ratios for our insurance company partners. Capacity providers may also choose to withdraw capacity based upon changes in our credit ratings or loss of reputation. Withdrawal by insurance companies of underwriting capacity for whatever reason and in circumstances where replacement underwriting capacity cannot be procured, or a significant increase in the rates charged by an insurance company, could have a material adverse effect on our business performance and consequently upon our financial condition, results of operations and cash flow. Volatility or declines in premiums, declines in commission rates or increases in applicable premium taxes may seriously undermine our business and results of operations.

We derive most of our revenue from commission and fees for broking and underwriting services. Our commissions are generally based on insurance premiums, which are cyclical in nature and may vary widely based on market conditions. Competition, economic difficulties, changes in the UK insurance premium tax or other factors may change the underlying cost bases of insurance providers and as a result may prevent increases in premiums or may even cause premium rates to decline. As we cannot determine the timing and extent of premium rate changes, we may not be able to accurately forecast our commission income, including whether it will significantly decline. As insurance companies continue to outsource the issuance of insurance policies to non-affiliated agents and brokers such as ourselves, they may seek to further bring down their expenses by reducing commission rates payable to such organizations. Additionally, changes in the manner in which discount rates or other rates related to claims costs are calculated could result in the rates rising or falling and could lead insurers to adjust commission rates. A significant reduction in commissions, along with general volatility or declines in premiums, could have a significant adverse effect on our business, our generation of revenue and our financial condition. Profit commissions are less predictable than traditional commission and we are consequently less able to forecast the amount of profit commissions that we will receive. On a longer time horizon, the insurance markets might be disrupted by new technologies, "open finance" or new distribution structures, which may give rise to both risks and opportunities for us.

We derive a small portion of our income from profit commissions from insurance companies. Profit commissions are typically dependent upon the profitability of the business placed with the insurer. We are less able to forecast profit commissions than premium-based commissions due to the link with variable insurance events and the inherent volatility this brings. As the profitability of our MGA segment is in part dependent upon the ratio of claims made to total underwriting business placed, and as a significant amount of the underwriting business that we place insures risk in the United Kingdom, catastrophic events, whether natural or otherwise, may affect the amount of claims being made and therefore the profitability of the business which we placed. Insurance companies may also seek to negotiate profit sharing agreements with less favorable terms to us as a result of a decrease in the profitability of the business we place with them. Furthermore, we have a significant amount of trade accounts receivable from some of the insurance companies with which we place insurance. If those third-parties experience liquidity problems or other financial difficulties, there is a risk we could encounter delays or defaults in payments owed to us. Such risk is magnified in the wake of COVID-19, with widespread economic disruption causing some of our clients and customers financial difficulties. See "*—Our business may be adversely affected by a decline in economic conditions in the United Kingdom or globally and by other market risks, including the COVID-19 pandemic and Brexit.*" If we are unable to correctly forecast the amount of profit commissions that we will receive for the above or any other reasons, results of operations, financial condition and cash flows could be negatively impacted.

***The unaudited Total Pro Forma Adjusted EBITDA, Pro Forma Adjusted EBITDA and Adjusted EBITDA Pro Forma for Completed Transactions information presented is inherently subject to risks and uncertainties.***

The unaudited Total Pro Forma Adjusted EBITDA, Pro Forma Adjusted EBITDA and Adjusted EBITDA Pro Forma for Completed Transactions information presented in this offering memorandum is inherently subject to risks and uncertainties. For the convenience of readers only, we include Pro Forma Adjusted EBITDA and Total Pro Forma Adjusted EBITDA in this offering memorandum to illustrate the effect of the Bravo, Arachas and Bennetts Acquisitions on the Adjusted EBITDA of The Ardonagh Group Limited, by giving pro forma effect to the Bravo, Arachas and Bennetts Acquisitions as if they had occurred on April 1, 2019. See "*Presentation of Financial Information and Other Information—Non-IFRS Financial Measures.* See "*Summary—Summary Historical Financial Information and Other Data.*" This information does not present our reported results of operations for the twelve months ended March 31, 2020, and is not comparable to the consolidated financial statements or other financial information included elsewhere in this offering memorandum. Such unaudited pro forma financial information as of and for twelve months ended March 31, 2020 is based on unaudited financial information of Bravo, Arachas and Bennetts and has been prepared by management for illustrative purposes and as supplemental information to facilitate management discussion and analysis.

In addition, Total Pro Forma Adjusted EBITDA and Adjusted EBITDA Pro Forma for Completed Transactions do not purport to indicate our future consolidated results of operations. Our actual results may differ significantly from those reflected in our Pro Forma Adjusted EBITDA and Adjusted EBITDA Pro Forma for Completed Transactions. The calculations of Total Pro Forma Adjusted EBITDA and Adjusted EBITDA Pro Forma for Completed Transactions are based on various assumptions and management estimates and are inherently subject to risks and uncertainties and may not give an accurate or complete picture of the financial condition or results of operations of any acquired entities prior to their acquisition by us or may not be comparable to our consolidated financial statements or the other financial information included in this offering memorandum and should not be relied upon when making an investment decision. These assumptions and management estimates may depend on a number of circumstances that are outside our control or may not materialize in line with our expectations. For example, the Bennetts Acquisition is subject to certain conditions, including regulatory and competition approvals. If these conditions are not satisfied on or prior to the longstop date, the Bennetts Acquisition Agreement may be terminated. See "*Our selective acquisition and disposal strategy exposes us to risks, including the risk that we may not be able to successfully integrate acquired businesses or that acquisitions may have liabilities that we are not aware of and may not be as profitable as we may have expected them to be and that disposals may not have the impact on results of operations that we expected them to have.*" In addition, Total Pro Forma Adjusted EBITDA and Adjusted EBITDA Pro Forma for Completed Transactions include the EBITDA of entities with minority interests. For example, we consolidate 100% of Autonet's EBITDA although there are minority interests within Autonet. See "*Summary—Summary Unaudited Pro Forma Adjusted EBITDA and Other As Adjusted Information*."

***Potential future impairments of intangible assets could have a material adverse effect on our results of operation.***

Our goodwill is a significant asset. As of March 31, 2020, the book value of our goodwill amounted to £751.6 million while our total intangible assets amounted to £1,122.6 million. In accordance with IFRS, we annually test whether goodwill and other assets with indefinite useful lives have suffered any impairment. Other assets are also reviewed for impairments whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit is determined based on the higher of fair value less costs to sell and a value in use calculation based on management's assumptions and estimates. Our last impairment review on March 31, 2020 resulted in no impairment charge. For more information, see notes 4 and 9 to the Ardonagh Q1 2020 Unaudited Interim Financial Statements. A decrease in expected cash flows of the group of cash generating units, changes in market conditions, loss of key customers and a change in our imputed cost of capital may indicate potential impairment of recorded goodwill. Weakness in the global economy also may cause us to make impairment charges, which, depending on the amounts impaired, could have a material adverse effect on results of operations.

***Competition in our industry is intense, and if we are unable to compete effectively, our business may be adversely affected.***

We face intense competition in all areas of the insurance intermediary industry in which we operate, based on product breadth, innovation, quality of service and price. Consolidation within the insurance industry increases competition and can lead to downward pricing pressures as consolidated entities compete for market share. In respect of our MGA and broking divisions, numerous other firms, as well as insurance companies that directly solicit customers without the assistance of an agent or broker, compete for a share of the various insurance markets and customers. Furthermore, aggressive pricing by competitors in the underwriting industry could have a material adverse effect on our business and results of operations. Any of the above, individually or in the aggregate, could have a material adverse effect on our business and financial position, our results of operation and our cash flow.

***Adverse publicity, in particular relating to our financial condition, our cost-savings initiatives or activities associated with the integration of acquired entities, may adversely affect our customer, insurer and supplier relationships, may lead to increased regulatory scrutiny and may have a negative impact upon the market perception of our business.***

Our success depends in significant part on our relationships with our capacity partners, industry colleagues and customers. As an insurance intermediary, we depend on insurance companies providing us with underwriting capacity and products. Adverse publicity relating to our financial condition, including negative changes in our credit ratings, may have a material adverse effect on our relationships with our capacity partners, industry colleagues and customers and/or the market perception of our business. Insurance companies may choose to withdraw underwriting capacity and products in circumstances where no suitable replacement can be procured, or may seek to impose an excessive increase in rates, and third-party brokers and mortgage intermediaries may choose not to distribute our products. Existing suppliers may choose not to do business with us, demand quicker payment terms or decline to extend normal trade credit and we may find it difficult to obtain new or alternative suppliers. Customers may choose not to (and it may be more difficult to convince such customers to) subscribe, or continue to subscribe, to our products and services. Adverse publicity may also result in increased regulatory scrutiny. We recognize the importance of having a robust communications and public relations capability and maintaining regular communication with all of our key stakeholders. Despite our good working relationships with our various insurer and supplier stakeholders, however, we are in the process of implementing various cost-savings initiatives which may include headcount reductions or specific office closures, as a result of integration activities or otherwise, and adverse publicity regarding our cost-savings initiatives could have a negative impact our customer relationships. Any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

***If we fail to comply with regulatory requirements or guidelines, we may not be able to conduct business or may be subject to sanctions or substantial fines that may have a material adverse effect on our reputation, results of operations and financial condition.***

Our UK-domiciled businesses are authorized and regulated by the FCA and firms in our industry must maintain regulatory authorization. Our insurance intermediary activities must comply with FCA rules and guidelines that impose, amongst other things, a high-level standard on the establishment and maintenance of proper systems and controls and minimum threshold conditions that must be satisfied for an insurance intermediary firm to remain authorized as well as rules on the conduct of business and treating customers fairly ("**FCA Rules**"). The FCA Rules impose minimum "threshold conditions" that must be satisfied as well as robust standards for the establishment and maintenance of proper systems and controls, notably for the conduct of business and the fair treatment of customers. The FCA Rules also impose upon us certain minimum capital and liquidity requirements. Our conduct obligations require us to demonstrate that we are consistently delivering fair outcomes to consumers and that senior management are taking responsibility for ensuring that we, and our staff at all levels, deliver the consumer outcomes relevant to our business by establishing an appropriate culture. Situations can arise in which our interests differ from those of customers or in which we represent two customers who are both parties to the same insurance claim. The FCA Rules oblige us to proactively identify and manage conflicts of interest fairly and we risk regulatory action if we do not do so. Furthermore, we often incur additional costs in order to comply with changes to the FCA Rules and regulatory landscape. We can provide no assurance that we will continue to able to fund such costs or that the incurrence of such costs will not have a material adverse effect on our business, results of operations and financial condition.

Firms have an ongoing obligation to periodically provide the FCA with certain information, including their financial performance and customer outcomes. The FCA supervises firms' activities to assess compliance with regulatory requirements, including client money rules. The FCA will seek additional information from firms via surveys, thematic reviews and formal risk assessments. The FCA has extensive investigative and disciplinary powers, including the power to impose fines and vary or cancel regulatory permissions. While we maintain an ongoing dialogue with the FCA in the ordinary course of business and while we consider our compliance with the FCA Rules to be robust, failure to comply with the FCA Rules could lead to disciplinary action, including requiring customers to be compensated for loss, the imposition of penalties and the revocation or variation of our authorizations to conduct business, in whole or in part. In addition, individuals performing various controlled functions for regulated firms are required to be approved persons and to satisfy certain fitness and propriety criteria. Any disciplinary or enforcement action against these individuals by the FCA could prevent such persons from continuing to work for us. If these individuals are key personnel, this could have a material adverse effect on our business. Disciplinary or enforcement action against any individuals or against the business generally could result in damage to our brands and reputation.

In the past, some of our businesses failed to meet regulatory expectations including those concerning business and control frameworks and other cyber security controls. Failings in respect of some of our businesses' governance arrangements, business models and financial stability attracted enhanced regulatory scrutiny as well as external FCA regulations and guidelines including change of control approvals. Previously, the Swinton Group failed to meet FCA regulations and guidelines including in relation to its corporate governance, sustainability of its business model, including its internal risk management processes, and complaints management. Prior to its acquisition by The Ardonagh Group, Swinton has also experienced regulatory intervention in relation to failures in its sales of payment protection insurance, mis-selling of monthly add-on insurance policies and cyber security controls. For these reasons, the FCA placed Swinton on its "Watchlist", denoting an enhanced regulatory scrutiny. Our management has worked closely with the FCA and extended its regulatory remediation plans to address the risks that applied to Swinton. The Swinton Group undertook various regulatory related projects, including an ongoing program to implement improved complaint handling capability across the business to support consistent delivery of fair outcome for customers and a review of historic complaints to identify and address any customer detriment, In January 2020, the FCA confirmed it was satisfied with the remediation of all Watchlist items applying to the Ardonagh Group, including the Swinton business, and removed it from its Watchlist.

As such, any future material incidents of non-compliance within The Ardonagh Group, including, following the Bravo Acquisition, the Arachas Acquisition, the Bennetts Acquisition or any acquisition, could result in enhanced sanctions, fines, penalties or other disciplinary actions, including, among other things, a downgrade of our regulatory rating and limitations or prohibitions on our future business activities, which could consequently materially and adversely affect our business, financial condition and results of operations. Although we conduct due diligence with respect to the business and operations of acquired businesses, including Bravo, Arachas and Bennetts, we may fail to identify all material facts concerning these businesses. Unanticipated events or liabilities relating to acquired businesses, including Bravo, Arachas or Bennetts, could have a material adverse effect on our results of operations, financial condition and cash flow.

In 2014, the FCA commenced a review of redress costs associated with historic advice provided by Towergate Financial in relation to Enhanced Transfer Value (ETV) pension switching products. The FCA also conducted work across several other providers of such products within the industry, prompted by evidence of potential mis-selling of these products. Towergate Financial was a provider of independent financial and mortgage advice and operated outside of Towergate's core UK specialist personal lines and SME markets. On March 16, 2015, prior to the 2015 financial restructuring, Towergate Financial disposed of its assets and stopped all trading of this type. Provisions and contingent liabilities in respect of ETV remained within Towergate. Following significant work by the Ardonagh management team with its regulator, the FCA's external review was decommissioned in early 2019 and a past business review is now being conducted internally by a specialist central team. The Ardonagh board provides oversight of this team and updates the FCA as appropriate. Our redress program began in the third quarter of 2019 and the estimate for the overall cost of redress was increased to £63.5 million as of December 31, 2019 from an initial estimate of £51.0 million as of December 31, 2018. This estimate remains unchanged as of March 31, 2020, based on the settlement experience and additional case reviews progressing to settlement during the second quarter of 2020. As of December 31, 2019, £15.9 million worth of redress payments had been paid, with an additional £9.1 million worth of payments made in the three months ended March 31, 2020. In total, £25.0 million worth of redress payments had been made as of March 31, 2020, reducing the remaining provision for redress payments to £38.5 million as of the same date. For further information, see note 31 to the Ardonagh 2019 Audited Financial Statements and note 22 to the Ardonagh Q1 2020 Unaudited Interim Financial Statements. As of April 30, 2020, £26.9 million worth of redress payments had been made, leaving an estimated remaining liability of £36.6 million as of April 30, 2020. See also "*Business—Regulation*" and "*Business—Legal Proceedings.*"

Additionally, future changes in laws and regulations relating to our business, as well as any future regulatory intervention with respect to our business or the industry more generally, could limit activities in the future and result in increased costs of regulatory compliance and increased management attention being required to be dedicated to compliance. This could consequently adversely affect our business, financial condition and results of operations.

***Regulation or other requirements in the areas of privacy, information security and data protection could increase our costs and affect or limit how we collect and/or use personal information and our business opportunities.***

There is increasing awareness and concern among the general public, governmental bodies, and others regarding marketing and privacy matters, particularly as they relate to individual privacy interests. Recent events, including the discovery of monitoring activities by certain governmental agencies, have resulted in a heightened legislative and regulatory focus on privacy, data protection and information security around the world and, in particular, across Europe. European legislators and regulators are increasingly adopting or revising privacy, data protection and information security laws that could potentially have a significant impact on our current and planned privacy, data protection and information security-related practices, our collection, use, sharing, retention and safeguarding of consumer and/or employee information and some of our current or planned business activities. These concerns have resulted and may result in new or amended laws and regulations that could adversely impact our business. In particular, and in addition to incurring compliance costs, changes to such laws and regulations may create significant business interruption risks if we are no longer able to use customer data in the manner in which we have been accustomed.

Our ability to obtain, retain and otherwise manage the personal data of our customers is governed by data protection requirements and regulatory rules and guidance issued by, among others, the UK Information Commissioner's Office ("**ICO**"), including the General Data Protection Regulation (the "**GDPR**"), which came into effect on May 25, 2018 as the Data Protection Act 2018. The GDPR and the U.K. Data Protection Act 2018 significantly change the UK/EU/EEA data protection landscape. These regulations strengthen the rights of individuals (data subjects), impose stricter controls over the processing of personal data by both controllers and processors of personal data and impose stricter sanctions with substantial administrative fines and potential claims for damages from data subjects for breach of their rights. The GDPR also offers data subjects the option to allow privacy organizations to litigate on their behalf, including collecting potential damages, which may result in a substantial increase in claims being brought. Should a serious data breach occur, the GDPR provides for increased obligations to notify regulators and data subjects whose personal data has been compromised and may result in the imposition of significant sanctions and penalties, which will require heightened escalation and notification processes with associated response plans. If a significant or widely publicized unlawful disclosure of employee or customer data were to occur, whether as a result of a cyber-attack, the failure of our IT security systems, employee negligence or the actions of our vendors, we may be subject to legal claims by individuals, fines or other enforcement action which could result in adverse regulatory and financial consequences and could harm our reputation.

Our European businesses may also be subject to evolving European laws on personal data export as they may transfer personal data from the EEA to other jurisdictions. For example, in 2015, the Court of Justice of the European Union invalidated the US-EU Safe Harbor framework regarding the transfer of personal data from the European Union to the United States, which was subsequently replaced in August 2016 by the Privacy Shield framework. However, there is currently litigation against this framework as well as litigation challenging other European law mechanisms for adequate data export, i.e., the standard contractual clauses, and it is uncertain whether the Privacy Shield framework and/or the standard contractual clauses will be similarly invalidated by the European Union courts. We rely on a mixture of mechanisms to transfer data from our European business to India as part of our Mphasis outsourcing contract and could be impacted by changes in law as a result of the current challenges to these mechanisms in the European Courts leading to governmental enforcement actions, litigation, fines and penalties or adverse publicity which could have an adverse effect on our reputation and business.

In addition, the current European laws that cover online marketing by email or other electronic communications such as SMS or cookies are under reform. A draft of this new law, i.e., the ePrivacy Regulation, was announced on January 10, 2017. The current draft of the ePrivacy Regulation is going through the EU legislative process. Unlike the current marketing rules, this ePrivacy Regulation will directly be implemented into the laws of each of the European Union Member States without the need for further enactment. We cannot predict how the ePrivacy Regulation, or similar legislation, will be implemented within the United Kingdom, if at all, post-Brexit. The current draft extends the strict opt-in marketing rules to business to business communications, strengthens requirements around other online marketing tools, and significantly increases penalties to the same level of fines as the GDPR. This may significantly impact the effectiveness of our current online marketing strategies and revising these strategies may results in additional compliance costs.

We are also subject to the terms of our privacy policies and privacy-related obligations to third parties. We strive to comply with all applicable laws, policies and legal obligations, decisions and opinions of relevant local authorities relating to privacy and data protection as well as our other privacy-related obligations. These laws and regulations are subject to revision and differing interpretations and have generally become more stringent over time. We cannot predict the nature, scope or effect of future regulatory requirements to which we might be subject or the manner in which existing laws might be administered or interpreted. It also is possible that these obligations may not be applied consistently by regulatory authorities or across courts. These privacy and data protection-related laws and regulations are evolving with new or modified laws and regulations proposed and implemented frequently and existing laws and regulations subject to new or different interpretations. Further, following the withdrawal of the United Kingdom from the European Union, which took place on January 31, 2020, we cannot provide any assurances as to how the United Kingdom will replace current European Union legislation on data privacy protection, including the GDPR, if at all. See also "*—Our business may be adversely affected by a decline in economic conditions in the United Kingdom or globally and by other market risks, including the COVID-19 pandemic and Brexit*." Compliance with these laws and regulations can be costly and disruptive to the operation of our business. Although we believe we have implemented appropriate controls to meet these regulatory obligations, we cannot assure you that our controls will always be foolproof. Our past compliance history may be factored into any matters that come to a regulator's attention in the future, including any apparent violations. If our systems and controls are found to be insufficient, we may be exposed to heightened sanctions, financial crime and/or fraud risk and the relevant business, its directors and certain members of staff could face criminal sanctions, regulatory censure or financial penalties.

Any failure or perceived failure by us to comply with such obligations or with our own privacy policies, or any compromise of security that results in the unauthorized processing, release or transfer of information, may result in governmental enforcement actions, litigation or public statements against us by consumer advocacy groups or others and could cause our customers and the third parties with whom we work to lose trust in us, which could have a material adverse effect on our business. Additionally, if the third parties with whom we work violate either applicable laws or our own policies, such violations may put the information in our database at risk and could in turn have a material adverse effect on our business. Furthermore, compliance with current and/or new laws and regulations could result in the incurrence of additional compliance costs and, under certain circumstances, could require changes in the way we conduct our business, which, in each case, may adversely impact our business and results of operations.

***We are subject to regulatory, business and economic risks associated with operating abroad and trading internationally.***

We currently operate principally in the United Kingdom, but we have global customers and plan to continue the international expansion of our business operations and trading activity for both new business and Brexit-planning purposes. We may also enter into new international markets whether through the establishment of offices in those markets or the expansion of our customer base to include customers in those markets. We are subject to a variety of risks inherent in serving a global customer base and in maintaining offices abroad.

These risks include but are not limited to:

- political, social, or economic instability;
- risks related to the legal and regulatory environment in foreign jurisdictions, including with respect to privacy and data protection, and unexpected changes in laws, regulatory requirements, and enforcement;
- risks that our IT systems or internal controls and procedures may not be adequate to support operations abroad;
- risks associated with measures implemented to manage the health crisis caused by COVID-19;
- potential damage to our brand and reputation due to compliance with local laws, including potential censorship or requirements to provide user information to local authorities;
- fluctuations in currency exchange rates (see "*—Risks Related to Our Financial Profile—Our derivative instruments may be ineffective or may not be implemented correctly*");
- higher levels of credit risk or payment fraud;
- burdens of complying with a variety of foreign laws and regulations;
- reduced protection for intellectual property rights in some countries;
- difficulties in staffing and managing global operations and the increased travel, infrastructure, and legal compliance costs associated with multiple international locations;
- compliance with the United States Foreign Corrupt Practices Act, the UK Bribery Act 2010, and similar laws in other jurisdictions; and
- compliance with statutory equity requirements and management of tax consequences.

We are subject to laws regarding money laundering, financing of terrorism and laws prohibiting us, our employees or intermediaries from making improper payments or offers of payment to foreign governments and their officials and political parties for the purpose of obtaining or retaining business, including the UK's Proceeds of Crime Act 2002 and Bribery Act 2010 (including The Fourth European Union Anti-Money Laundering Directive implemented in the United Kingdom by the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, which impose additional requirements with respect to determining beneficial ownership and identifying politically exposed persons). From January 10, 2020, we have also been subject to the Fifth European Union Anti Money Laundering Directive, which was transposed by the United Kingdom via the Money Laundering and Terrorist Financing (Amendment) Regulations 2019. The Fifth European Union Anti Money Laundering Directive makes a number of key amendments to the Fourth European Union Anti Money Laundering Directive, among them: (i) requiring firms to apply customer due diligence measures to existing customers where they have any legal duty in a year to contact the customer for the purposes of reviewing any information which relates to the beneficial ownership of the customer, or when an existing customer must be contacted in order to fulfil any duty under the International Tax Compliance Regulations 2015;

and (ii) requiring firms, when entering into a new business relationship with a company or trust that is subject to the beneficial ownership registration requirements under the Fourth European Union Anti Money Laundering Directive, to collect either proof of registration on the register or an extract of the register. We also may be subject to sanctions administered by the United States Treasury Department's Office of Foreign Assets Control ("**OFAC**"), the United Nations Security Council, the European Union, the UK Office of Financial Sanctions Implementation, the UK National Crime Agency, or other relevant sanctions authorities.

As a result of our international reach, we may provide insurance intermediaries services to clients in a jurisdiction subject to heightened regulatory scrutiny. Failure to comply with any such laws could result in investigations, public censure, financial penalties, liability and/or enforcement actions being brought against us. Damage to our reputation, whether because of a failure to comply with applicable laws or any regulatory action, could deter customers from choosing us. Any of these developments could impair our ability to conduct our business and could have a material adverse effect on our business, results of operations or financial condition or could have a negative impact our reputation. We cannot predict the manner in which existing laws or regulations might be administered or interpreted or the nature, scope or effect of future regulatory requirements to which we might be subject.

***Legislative or taxation changes or HMRC enforcement actions may have a material adverse impact on our business, results of operations and financial condition.***

We are subject to the laws of England and Wales and the taxation rules administered by HM Revenue & Customs ("**HMRC**") and we are required to certify to HMRC that we have appropriate tax accounting arrangements in place. Changes in legislation or regulations and actions by regulators, including changes in administration and enforcement policies, could from time to time require operational improvements or modifications, the conduct of reviews and audits or the cessation of certain business practices, product lines or income streams that could result in higher costs or restrict our ability to operate our business and, as a result, have a material adverse effect on our business, results of operations and financial condition. HMRC may also take enforcement actions against us which may result in fines, penalties and/or interest charges being imposed on us which may have a material adverse effect on our business, results of operations and financial condition.

***Our business, results of operations and financial condition may be materially adversely affected by the outcome of certain actual and potential claims, lawsuits and other proceedings.***

We are subject to various actual and potential claims, lawsuits and proceedings relating principally to alleged errors, omissions or unfair provisions in connection with the placement of insurance or the provision of financial services advice in the ordinary course of business. As we often assist our customers with matters involving substantial amounts of money, including the provision of financial services advice and the placement of insurance coverage and handling of related claims, errors and omissions claims against us may arise that allege potential liability for all or part of the amounts in question. Claimants can seek large damage awards and these claims can involve potentially significant defense costs. Such claims, lawsuits and other proceedings could, for example, allege damages as a result of our employees, agents or sub-agents improperly:

- failing to place coverage on behalf of customers;
- failing to inform clients of relevant warranties and exclusions applying to their policies;
- failing to adequately advise customers of their duties of disclosure and the risk of underinsurance; and
- failing to provide insurance companies with complete and accurate information relating to the risks being insured or to appropriately apply funds that we hold for our customers on a fiduciary basis.

Our MGA segment assesses risk and issues policies to customers on behalf of insurance companies. In writing an insurance policy, we agree to a set of underwriting criteria with an insurance company and write the policy under delegated authority from the insurance company. If we underwrite a greater risk than agreed by the insurance company, handle a claim in excess of any cap without referring such claim to the insurance company, issue policies that are outside of the applicable eligible business criteria, use staff who are not authorized under the relevant delegated authority agreement or otherwise act beyond the scope of our delegated authority, the insurance company may refuse to provide the funds in respect of the insurance claim in question. As a result, we would incur the liability for such claims, which could have a negative effect on our reputation, financial position and cash flow.

We maintain professional indemnity insurance for errors and omissions claims, the terms of which vary by policy year. Our ability to obtain such professional indemnity insurance in the future in the amounts and with the deductibles we desire may be adversely impacted by general developments in the market for such insurance or by our own claims experience. We cannot guarantee that in the future we will be able to renew our current insurance policies on favorable terms, if at all. In recent years, our self-insured risks have increased. In respect of such risks, we have established a provision for claims in respect of outstanding errors and omissions claims that we believe to be adequate in light of current information and legal advice; we adjust this provision from time to time according to relevant developments. If such insurance coverage proves inadequate or unavailable or if there is an increase in liabilities for which we self-insure, our business, results of operations and financial condition may be materially adversely affected. Currently, the most significant errors and omissions notifications relate to the ETV reviews of redress costs associated with historic advice provided by Towergate Financial in relation to its ETV pension switching products. See "*Business—Legal proceedings*."

We may also incur liabilities for the actions of our directors, employees, agents and representatives related to our business, including in relation to financial crime and fraudulent activities, which may expose us to liability for claims and proceedings that could have a negative effect on our reputation, financial position and cash flow.

In addition, our reputation and operations may be adversely affected by contractual or other proceedings instituted by third-party service providers, suppliers or competitors. See "*Business—Legal proceedings*." Our reputation and operations may also be adversely affected by failures in claims management. Instances of failing to notify insurers of claims on behalf of customers, of inaccurate or incomplete cash reserves, poor service quality or excessive claims handling costs may result in claims, lawsuits or other proceedings as well as damage to our reputation.

Our brands and reputation may be negatively affected if customers seek redress publicly, through the courts or otherwise. We may suffer such brand and reputational damage even in circumstances where allegations by customers and/or consumer groups are not ultimately upheld. Any of these could have a material adverse effect on our business, results of operations and financial condition.

***Our success depends on our continued access to various proprietary technologies and the continued protection of our trademarks and other proprietary intellectual property rights.***

We rely upon intellectual property that is owned or licensed by us to use various technologies, conduct our operations and sell our products and services. Legal challenges could be made against our use of our proprietary or our licensed intellectual property rights (such as trademarks, patents and trade secrets) and we may be required to enter into licensing arrangements on unfavorable terms, incur monetary damages or be enjoined from use of the intellectual property rights in question. Our trademarks and other intellectual property rights are important to our success and competitive position and the loss of or inability to enforce trademark and other proprietary intellectual property rights could harm our business. We devote substantial resources to the establishment and protection of our trademark and other proprietary intellectual property rights. Our efforts to establish and protect our trademarks and other proprietary intellectual property rights may not be adequate to prevent imitation of our brands or products by others or to prevent others from seeking to block sales of our branded products. Additionally, we could face heightened risk relating to integration of acquired consumer-focused brands. Any unforeseen issues or negative publicity relating intellectual property protection from these brands could cause harm to our business.

***Our success is dependent on the consistent application of our risk and compliance frameworks across all of our segments.***

Despite the frameworks we have put into place, as with any large organization, we face a risk that our risk and compliance policies and procedures may not be fully effective in identifying, monitoring and managing the risks we face. If our policies and procedures are not successful in capturing all of the risks to which we are or may be exposed, we may suffer harm to our reputation or be subject to litigation or regulatory actions that could have a material adverse effect on our business, financial condition and results of operations.

Reporting guidelines, including those for risk reporting, internal control and financial reporting, may also not always be followed properly and in a timely manner. The failure by any of our employees or operational segments to follow risk and compliance standards could have a material adverse effect on our business, financial condition and results of operations. Furthermore, some of our risk evaluation methods depend on information provided by third parties and on public information regarding markets, customers or other matters that are otherwise not generated by us. In some cases, that information may not be accurate, complete or up-to-date. Such failure could consequently materially and adversely affect our business, financial condition and results of operations.

Although each of our businesses maintains and will continue to maintain compliance, supported as necessary by Group legal and compliance departments, it is important to ensure that our Group management standards, including risk control and compliance policies, will always be fully and consistently applied throughout our organization, in particular since in the past some of our businesses have failed to meet internal guidelines and external FCA regulations. We may, however, experience difficulties in harmonizing our management, legal and compliance processes and in ensuring the full and consistent application of policies across our large and diversified organization.

***The audit reports of Deloitte LLP included in this offering memorandum include statements to limit liability and the persons that may rely on such reports and the opinions contained therein.***

The audit reports of Deloitte LLP for the years ended December 31, 2019 and December 31, 2018 are included in this offering memorandum. Deloitte LLP have undertaken their audit work to state to members of The Ardonagh Group those matters that they are required to state to them in an independent auditor's report and for no other purpose. Investors in the Notes should understand that these statements are intended to disclaim any liability to parties other than the members of The Ardonagh Group with respect to those reports.

The SEC would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the Securities Act or in a report filed under the Exchange Act. If a court were to give effect to such limiting language, the recourse that investors in the Notes may have against the independent auditor or reporting accountant based on its reports or the consolidated financial information to which they relate could be limited.

**Risks Related to our Financial Profile**

***We are exposed to liquidity risk. Ongoing liquidity challenges may have an adverse impact on business value and earning capacity.***

Our ability to obtain liquidity is essential to our capacity to meet both anticipated and unanticipated financial obligations in a manner that does not prejudice our day-to-day operations. Liquidity risk refers to any inability on our part to meet payment obligations. It arises where, for internal reasons (such as a specific major issue) or external reasons (such as macroeconomic conditions), we face a sudden reduction in available liquidity, or a sudden need to increase funding. For example, future exceptional payments or a negative result in a material dispute could result in our experiencing shortfalls of cash. Moreover, the incurrence of additional debt could lead to a downgrade by rating agencies which could in turn result in revenue or cash pressure through competitors using the information to discredit the business among customers and staff, insurers increasing pressure on payment and collections processes as a means of managing their risk and staff becoming unsettled as a result of adverse publicity. If market conditions were adverse for an extended period, if there were a general economic downturn, if our credit standing were to decline or if we were unable to access the market to meet our liquidity requirements, such factors individually or in the aggregate could have a material adverse effect upon our cash flow, business, results of operations, and financial condition. See "*—Risks Related to Our Business and Industry—Our business may be adversely affected by a decline in economic conditions in the United Kingdom or globally and by other market risks, including the COVID-19 pandemic and Brexit.*"

***We will require a significant amount of cash to service our debt and sustain our operations. Our ability to generate or raise sufficient cash depends on many factors beyond our control.***

Our ability to make principal or interest payments when due on our indebtedness, including our obligations under the Senior Secured Credit Facilities Agreement and the Notes, and to fund our ongoing operations, will depend on our future performance and ability to generate cash, which is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these "*Risk Factors*," many of which are beyond our control.

The Senior Secured Credit Facilities Agreement provides for the Term Facility and the CAR Facility, each of which mature on the date that is 6 years after the date of the Senior Secured Credit Facilities Agreement, and the New Revolving Credit Facility, which matures on the date that is 5.5 years after the date of the Senior Secured Credit Facilities Agreement. See "*Description of Other Indebtedness and Financing Arrangements—Senior Secured Credit Facilities Agreement.*" At the respective maturity dates of the Secured Credit Facilities, the Notes, or any other debt which we may incur, if we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations, or to fund our other liquidity needs, we may be required to refinance or restructure our indebtedness. If we are unable to refinance or restructure all or a portion of our indebtedness or obtain such refinancing or restructuring on terms acceptable to us, we may be forced to sell assets, or raise additional debt or equity financing in amounts that could be substantial or the holders of our debt may accelerate our debt and, to the extent such debt is secured, foreclose on our assets. The type, timing and terms of any future financing, restructuring, asset sales or other capital raising transactions will depend on our cash needs and the prevailing conditions in the financial markets. We cannot assure you that we will be able to accomplish any of these measures in a timely manner or on commercially reasonable terms, if at all. In such an event, we may not have sufficient cash or sources of cash to repay all of our debt. In addition, the terms of the Senior Secured Credit Facilities Agreement, the Indenture, the Intercreditor Agreement or the agreements governing other future indebtedness, as applicable, may limit our ability to pursue any of these measures.

***Our derivative instruments may be ineffective or may not be implemented correctly.***

We are subject to the risk of changes in exchange rates and their impact on our derivative instruments. We plan to enter into cross-currency swaps to mitigate exposure to foreign currency risk on the Notes. Hedging arrangements entered into at historic rates may become unfavorable in future. There is a risk that bank credit lines are exceeded which may cause us to be barred from taking out new derivatives. We also face counterparty risk where the hedging bank might fail to honor the hedging transactions. An inability to enter into hedging arrangements on favorable terms may result in us not receiving sufficient U.S. dollars to meet contractual obligations as they fall due, including under the Notes. Any of these events could cause losses and have a material adverse effect on our business, results of operations or financial conditions.

***The Secured Credit Facilities bear interest at floating rates that could rise significantly, increasing our interest cost and reducing cash flow.***

Our borrowings under the Secured Credit Facilities which represent a substantial part of our indebtedness, bear or will bear interest at per annum rates equal to LIBOR or EURIBOR, in each case adjusted periodically, plus a margin. These interest rates could rise significantly in the future, thereby increasing our interest expenses associated with these obligations, reducing cash flow available for capital expenditures and hindering our ability to make payments on the Notes.

Following allegations of manipulation of LIBOR, a different measure of inter-bank lending rates, regulators and law enforcement agencies from a number of governments and the European Union are conducting investigations into whether the banks that contribute data in connection with the calculation of daily EURIBOR or the calculation of LIBOR may have been manipulating or attempting to manipulate EURIBOR and LIBOR. In addition, LIBOR, EURIBOR and other interest rates or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform, including the implementation of the IOSCO Principles for Financial Market Benchmarks (July 2013) and the new European regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, which entered into force on June 30, 2016. Following the implementation of any such reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on July 27, 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, changes in the manner of administration of any benchmark, or actions by regulators or law enforcement agencies could result in changes to the manner in which EURIBOR or LIBOR is determined, which could require an adjustment to the terms and conditions, or result in other consequences, in respect of any debt linked to such benchmark (including but not limited to the Senior Secured Credit Facilities whose interest rates are linked to LIBOR and EURIBOR). Any such change, as well as manipulative practices or the cessation thereof, may result in a sudden or prolonged increase in reported EURIBOR or LIBOR, which could have an adverse impact on our ability to service debt that bears interest at floating rates of interest. In addition, on November 29, 2017, the Bank of England and the FCA announced that the market working group on Sterling Risk-Free Rates would have an extended mandate to catalyze a broad transition to the Sterling Over Night Index Average Rate ("**SONIA**") across sterling bond, loan and derivatives markets so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021. The Bank of England and FCA have stated that a key near-term priority for the working group will be to make recommendations relating to the potential development of SONIA reference rates. A public consultation was launched in July 2018 in relation to specific queries related to the operations of SONIA reference rates. On

April 23, 2018, the Bank of England took over administration of SONIA and issued a series of reforms as part of its implementation as a replacement to LIBOR. From April 2018, the Bank of England has been setting the interest rate benchmark using SONIA, meaning that banks are no longer compelled by the FCA to submit LIBOR rates beyond 2021. These reforms and other pressures may cause such benchmarks to disappear entirely, to perform differently than in the past (as a result of a change in methodology or otherwise), create disincentives for market participants to continue to administer or participate in certain benchmarks or have other consequences which cannot be predicted.

***Our substantial leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations with respect to the Notes, Notes Guarantees and the Collateral.***

We cannot guarantee that we will be able to generate enough cash flow from operations to service our debt obligations. We are highly leveraged and expect to continue to be highly leveraged following the Offering. As of March 31, 2020, as adjusted to give effect to the Transactions, we would have total financial indebtedness of £1,185 million. See "*Capitalization*."

The degree to which we are and continue to be leveraged following the issuance of the Notes could have important consequences to holders of the Notes, including, but not limited to:

- making it difficult for us to satisfy our obligations with respect to our indebtedness;
- making us vulnerable to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, acquisitions, joint ventures, or other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive environment and the industry in which we operate;
- placing us at a competitive disadvantage as compared to our competitors, to the extent that they are not as highly leveraged; and
- limiting our ability to borrow additional funds and increasing the cost of any such borrowing.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including the Notes.

Despite our substantial leverage, we may still be able to incur more debt under the Indenture governing the Notes, which could further exacerbate the risk described above.

The terms of the Senior Secured Credit Facilities Agreement and the terms of the Indenture will permit us to incur substantial additional indebtedness, including in respect of committed borrowings under the Secured Credit Facilities Agreement or borrowings under any credit facility that replaces or refinances the Senior Facilities. See "*Description of Other Indebtedness and Financing Arrangements—The Senior Secured Credit Facilities Agreement*."

Under the Indenture, we will be permitted to incur additional indebtedness, in addition to specified permitted indebtedness, so long as we meet the relevant ratio test on a pro forma basis as described under "*Description of the Notes—Limitation on Indebtedness*." In addition, the Indenture will allow us to incur secured debt (including debt that is secured on assets that do not secure the Notes) and will allow our non-Guarantor subsidiaries to incur additional debt that would be structurally senior to the Notes. In addition, the Indenture will not prevent us from incurring liabilities that do not constitute "Indebtedness" pursuant to the definition in the Indenture. If we are able to designate some of our Restricted Subsidiaries as Unrestricted Subsidiaries (each as defined under "*Description of the Notes—Certain Definitions*"), those Unrestricted Subsidiaries would be permitted to borrow beyond the limitations specified in the Indenture and engage in other activities in which Restricted Subsidiaries may not engage.

***We are subject to restrictive covenants that may limit our ability to finance future operations and capital needs and to pursue business opportunities and activities.***

The Indenture will restrict, among other things, our ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;

- make certain restricted payments, including dividends or other distributions, and make certain investments;
- create or permit to exist certain liens;
- sell certain assets;
- create certain restrictions on the ability of our restricted subsidiaries to pay dividends or make other payments to us;
- merge or consolidate with other entities or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis;
- guarantee certain types of additional debt of the Issuer or a Guarantor without also guaranteeing the Notes;
- engage in certain transactions with affiliates;
- impair the security interests in the Collateral; and
- create unrestricted subsidiaries.

All of these limitations are subject to significant exceptions and qualifications. See "*Description of the Notes*." Despite these exceptions and qualifications, the covenants to which we are subject could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest.

In addition, we are subject to the affirmative and negative covenants contained in the Senior Secured Credit Facilities Agreement while amounts under the Senior Secured Credit Facilities Agreement remain outstanding. Furthermore, under certain circumstances, the Secured Credit Facilities under the Senior Secured Credit Facilities Agreement require us to comply with certain specified financial ratios while amounts are outstanding under the Term Facility, the CAR Facility or the New Revolving Credit Facility, as applicable. See "*Description of Other Indebtedness and Financing Arrangements—Senior Secured Credit Facilities Agreement*." Our ability to meet the financial ratios under the Senior Secured Credit Facilities Agreement may be affected by events beyond our control, and we cannot assure you that we will meet such financial ratios. A breach of any of those covenants, including our failure to comply with the financial ratios under the Term Facility and/or the New Revolving Credit Facility, or the occurrence of certain specified events will, subject to applicable cure periods and other limitations, result in an event of default under the Secured Credit Facilities Agreement. In particular, upon the occurrence of any event of default under the Secured Credit Facilities Agreement, the Majority Lenders (being, subject to certain limitations, lenders of the Secured Credit Facilities whose commitments thereunder aggregate at least 66⅔% of the total commitments thereunder) could (among other remedies) cancel the availability of the Secured Credit Facilities and elect to declare all amounts outstanding under the Secured Credit Facilities, together with accrued interest, immediately due and payable. In addition, upon the occurrence of any event of default for failure to comply with any financial covenant granted for the benefit of the lenders under any but not all of the Secured Credit Facilities, the Majority Lenders under those Secured Credit Facilities benefitting from such financial covenant only (being, subject to certain limitations, lenders of the applicable Secured Credit Facilities whose commitments thereunder aggregate at least 66⅔% of the total commitments thereunder) could (among other remedies) cancel the availability of the Secured Credit Facilities benefitting from such financial covenant only and elect to declare all amounts outstanding under the Secured Credit Facilities benefitting from such financial covenant only, together with accrued interest, immediately due and payable. A default or event of default under the Senior Secured Credit Facilities Agreement could lead to an event of default and acceleration under other debt instruments that contain cross-default or cross-acceleration provisions, including the cross-acceleration provision that will be in the Indenture. If our creditors, including the lenders under the Senior Secured Credit Facilities Agreement, accelerate the payment of amounts owing to them under such other debt instruments, we cannot assure you that our assets and the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of our subsidiaries which would be due and payable and to make payments to enable us to repay the Notes, in full or in part. In addition, if we are unable to repay those amounts, our creditors could proceed against any collateral (including the Shared Collateral) granted to them to secure repayment of those amounts.

***The Issuer is a holding company dependent upon cash flow from subsidiaries to meet its obligations on the Notes.***

The Issuer is a holding company with no independent business operations or significant assets other than investments in its subsidiaries. The Issuer depends upon the receipt of sufficient funds from its subsidiaries to meet its obligations. We intend to provide funds to the Issuer in order to meet the obligations on the Notes through a combination of dividends and interest payments on intercompany loans. If our subsidiaries do not fulfil their obligations under the intercompany loans and do not distribute cash to the Issuer to make scheduled payments on the Notes, the Issuer will not have any other source of funds that would allow it to make such payments. Cash and cash equivalents held by our regulated entities (including certain subsidiaries of Arachas, Bennetts and Bravo) can only be extracted and upstreamed to their direct or indirect parent entities, including for purposes of debt service or, in the case of such entities that are Guarantors, in the event of an enforcement on such entity's Notes Guarantee, to the extent that such regulated entities has sufficient cumulative distributable reserves and that the minimum capital requirements continue to be met. See "*Description of the Notes—The Note Guarantees—General*."

Agreements governing our debt (including the Senior Secured Credit Facilities Agreement) may also restrict and, in some cases may prohibit, the ability of these subsidiaries to move cash within their restricted group. In particular, the Senior Secured Credit Facilities Agreement restricts the ability of the Issuer's subsidiaries from paying cash interest on the Notes during any period in which payment-in-kind interest is paid thereunder or while an event of default thereunder is continuing. Applicable tax laws may also subject such payments to further taxation and applicable corporate law may limit the amounts that some of our subsidiaries will be permitted to pay as dividends or distributions on their equity interests, or even prevent such payments. In particular, our ability to pay dividends to the Issuer will generally be limited to the amount of distributable reserves available to us. Distributions by certain of our subsidiaries (including, after the Arachas Acquisition and the Bravo Acquisition, Arachas and Bravo) will also be subject to pro rata distributions to minority interests. See "*Summary—Summary Corporate and Financing Structure.*" In addition, minority shareholders have interests in certain of our subsidiaries and may receive certain distributions ahead of distributions made to holders of the Notes. From time to time, we have bought out and we may continue to buy out minority interests as and when market opportunities are aligned with our business strategy.

The inability to transfer cash among entities within their respective consolidated groups may mean that, even though the entities, in aggregate, may have sufficient resources to meet their obligations, they may not be permitted to make the necessary transfers from one entity in their restricted group to another entity in their restricted group in order to make payments to the entity owing the obligations. The subsidiaries of the Issuer that do not guarantee the Notes have no obligation to make payments with respect to any of the Notes. In the event that we do not receive distributions or other payments from our subsidiaries, we may be unable to make required principal payments on the Notes and we may be required to pay PIK Interest rather than cash or, for any interest period beginning after the second anniversary of the Issue Date, we may be unable to make interest payments in cash. See also "*—Risks Related to the Notes, the Notes Guarantees and the Collateral—The Issuer will have the discretion to pay interest on the Notes in PIK Interest rather than cash for any interest period beginning prior to the second anniversary of the Issue Date*."

**Risks Related to the Notes, the Notes Guarantees and the Collateral**

***The Issuer will have the discretion to pay interest on the Notes in PIK Interest rather than cash for any interest period beginning prior to the second anniversary of the Issue Date.***

For any interest period beginning prior to the second anniversary of the Issue Date, the Issuer may elect, in its sole discretion, not to pay interest on the Notes in cash. In the event that the Issuer elects not to pay Cash Interest, the Issuer will pay interest on the Notes by increasing the principal amount of the global Notes or by issuing Additional Notes as PIK Interest. See "*Description of the Notes—Principal, Maturity and Interest*." The ability of the Issuer to pay Cash Interest on the Notes will depend on the ability of the Issuer's direct and indirect subsidiaries to make cash payments to the Issuer. The terms of the Senior Secured Credit Facilities Agreement restrict the Issuer's subsidiaries from upstreaming cash to the Issuer by way of dividend, distribution, loan or other payment during any interest period during which the payment-in-kind interest is paid under the Senior Secured Credit Facilities Agreement or while an event of default thereunder is continuing. Accordingly, we cannot assure you that the Issuer will have the funds available to make Cash Interest payments on the Notes, and, even if the Issuer is able to pay Cash Interest, we cannot assure you that the Issuer will elect to pay Cash Interest. As a result, holders of the Notes could potentially receive no Cash Interest on the Notes for any interest period beginning prior to the second anniversary of the Issue Date. The payment of PIK Interest will increase the amount of the Issuer's outstanding indebtedness and will accordingly increase the risks associated with the Issuer's level of indebtedness.

***Your right to receive payment under the Notes Guarantees is contractually subordinated to senior debt of the Guarantors.***

The obligations of the Guarantors under their respective Notes Guarantees will be contractually subordinated in right of payment to the prior payment in full in cash of all existing and future obligations in respect of senior debt of such Guarantor. This senior debt includes the guarantees of and/or obligations under the Secured Credit Facilities. Although the Indenture will contain restrictions on the ability of the Guarantors to incur additional debt, any additional debt incurred may be substantial and senior to the Notes Guarantees.

Upon any payment or distribution to creditors of a Guarantor in respect of an insolvency event, the holders of senior debt of such Guarantor will be entitled to be paid in full from the assets of such Guarantor before any payment may be made pursuant to such Note Guarantee. Until the senior debt of such Guarantor is paid in full, any distribution to which holders of the Notes would be entitled but for the subordination provisions included in the Intercreditor Agreement will instead be made to holders of senior debt of such Guarantor as their interests may appear. As a result, in the event of insolvency of a Guarantor, holders of senior debt of such Guarantor may recover more, ratably, than the holders of Notes, in respect of the Notes Guarantees.

In addition, the subordination provisions in the Intercreditor Agreement relating to the Notes Guarantees provide:

- customary turnover provisions by the Trustee and the holders of the Notes for the benefit of the holders of senior debt of such Guarantor;
- that if a payment default on any senior debt of a Guarantor has occurred and is continuing, such Guarantor may not make any payment in respect of its Notes Guarantee until such default is cured or waived;
- that if any other default occurs and is continuing on any designated senior indebtedness that permits the holders thereof to accelerate its maturity and the Trustee receives a notice of such default, such Guarantor may not make any payment in respect of the Notes, or pursuant to its Notes Guarantee (subject, in each case, to certain exceptions), until (among others) the earlier of the waiver or cure of such default and 179 days after the date on which the applicable payment blockage notice is received; and
- that the holders of the Notes and the Trustee are prohibited, without the prior consent of the Majority Senior Secured Creditors and/or the Majority Super Senior Creditors (each as defined in the Intercreditor Agreement), from taking any enforcement action in relation to such Notes Guarantee, except in certain circumstances and following certain standstill periods, each as described in the Section entitled "*Description of Other Indebtedness and Financing Arrangements—Intercreditor Agreement*."

The Indenture will also provide that, except under very limited circumstances, only the Trustee has standing to bring an enforcement action in respect of the Notes and the Notes Guarantees. Moreover, the Intercreditor Agreement restricts and the Indenture will restrict the rights of holders of the Notes to initiate insolvency proceedings or take legal actions against each of the Guarantor and by accepting any Note each such holder will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the Notes will have limited remedies and recourse under the Notes Guarantees in the event of a default by the Issuer or a Guarantor.

In addition, the Notes Guarantees are, or will be, limited as set forth under "*Certain Insolvency Law Considerations*," which limitations could be significant. See also "*—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Notes Guarantees and the Collateral may adversely affect the validity and enforceability of the Notes Guarantees and the Collateral*."

***The Notes and the Notes Guarantees thereof will be structurally subordinated to the claims of creditors, including depositors, trade creditors and preferred stockholders (if any), of our non-Guarantor subsidiaries, and effectively subordinated to liabilities that are secured on assets that do not secure the Notes.***

Certain of our subsidiaries will not guarantee the Notes. Our subsidiaries will not have any obligations to pay amounts due under the Notes or to make funds available for that purpose unless they guarantee the Notes or grant security interests in favor of the Notes. Generally, claims of creditors, including depositors, trade creditors, lenders under bank financing arrangements and preferred stockholders (if any) of non-Guarantor subsidiaries of the Issuer, are entitled to payments of their claims from the assets of such subsidiaries before these assets are made available for distribution to their respective parent entity or the creditors of the Issuer and the Guarantors. Accordingly, in the event that any non-Guarantor subsidiary of the Issuer becomes insolvent, is liquidated, reorganized or dissolved or is otherwise wound up other than as part of a solvent transaction:

- the creditors of the Issuer and the Guarantors (including the holders of the Notes) will have no right to proceed against the assets of such non-Guarantor subsidiary; and

- creditors of such non-Guarantor subsidiary, including depositors, trade creditors and preferred stockholders (if any) will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiary before the Issuer or any Guarantor, as a direct or indirect shareholder (as applicable), will be entitled to receive any distributions from such subsidiary.

As such, the Notes and the Notes Guarantees thereof will be structurally subordinated to the creditors, including depositors, trade creditors and any preferred stockholders (if any) of the non-Guarantor subsidiaries of the Issuer. A portion of this total amount is secured on property or assets that do not form part of the Collateral securing the Notes and the Notes will be effectively subordinated to the extent of the value of the property or assets securing such indebtedness.

In addition, the Indenture will permit these non-Guarantor subsidiaries, subject to certain limitations, to incur substantial additional indebtedness, and such indebtedness may also be secured, including on property or assets that do not form part of the Collateral securing the Notes. The Indenture will not contain any limitation on the amount of other liabilities, such as deposits and trade payables that may be incurred by these subsidiaries.

***Certain Notes Guarantees will not be provided until after the Issue Date.***

Subject to and in accordance with the Agreed Security Principles, the Notes will be guaranteed on the Issue Date, by the Original Guarantor, but none of the other subsidiaries of the Issuer will be required to provide a Notes Guarantee. Subject to and in accordance with the Agreed Security Principles, the Post-Closing Guarantors are expected to provide a Notes Guarantee by the date that is the earlier of (i) the date that such entity provides a guarantee under the Senior Secured Credit Facilities Agreement and (ii) 90 days from (but excluding) the Issue Date, the Bravo Guarantors are expected to provide a Notes Guarantee by the date that is the earlier of (i) the date that such entity provides a guarantee under the Senior Secured Credit Facilities Agreement and (ii) 90 days from (but excluding) the Bravo Closing Date, the Arachas Guarantor is expected to provide a Notes Guarantee by the date that is the earlier of (i) the date that such entity provides a guarantee under the Senior Secured Credit Facilities Agreement and (ii) 90 days from (but excluding) the Arachas Closing Date and the Bennetts Guarantor is expected to provide a Notes Guarantee by the date that is the earlier of (i) the date that such entity provides a guarantee under the Senior Secured Credit Facilities Agreement and (ii) 90 days from (but excluding) the Bennetts Closing Date.

The Issuer may not be successful in procuring such Notes Guarantees within the time periods specified and the Notes Guarantees will be subject to the Agreed Security Principles, which could relieve certain subsidiaries of the Issuer, including any entity that may provide a guarantee under the Senior Secured Credit Facilities Agreement, the obligation to provide a Notes Guarantee, which could have a material adverse effect on the credit support available to you in connection with your investment in the Notes.

***The security interests in the Shared Collateral in favor of the Notes rank junior to the security benefiting the lenders under the Secured Credit Facilities and your rights to enforce your security over the Notes Collateral are limited.***

The Shared Collateral is pledged to the security agent under the Senior Secured Credit Facilities Agreement for the benefit of lenders under the Senior Secured Credit Facilities Agreement, as well as to the Security Agent for the benefit of holders of the Notes. Under the Intercreditor Agreement and the security documents, the Secured Credit Facilities are secured by first-ranking security interests in all of the Shared Collateral and the proceeds of any sale of Shared Collateral on enforcement will be applied first to repay all debt of the lenders under the Senior Secured Credit Facilities Agreement, certain hedging obligations and other future obligations that is secured on the Shared Collateral on a first-ranking basis. Consequently, you may not be able to recover on such Shared Collateral because the lenders under the Senior Secured Credit Facilities Agreement, the counterparties to certain hedging obligations and other future obligations that is secured on the Shared Collateral on a first-ranking basis have, or will have, a prior claim on all proceeds realized from any enforcement of such Shared Collateral. See also "*—The Notes will be secured only to the extent of the value of the Collateral that has been granted as security for the Notes and future secured debt may be secured by certain assets that do not secure the Notes. The value of the Collateral securing the Notes may not be sufficient to satisfy our obligations under the Notes and such Collateral may be reduced or diluted under certain circumstances*."

***The Notes will be secured only to the extent of the value of the Collateral that has been granted as security for the Notes and future secured debt may be secured by certain assets that do not secure the Notes. The value of the Collateral securing the Notes may not be sufficient to satisfy our obligations under the Notes and such Collateral may diluted under certain circumstances.***

The Notes will be secured only to the extent of the value of the Collateral described in this offering memorandum. See "*Description of the Notes—Security*." The Shared Collateral also secures the obligations under the Senior Secured Credit Facilities Agreement on a first-ranking basis, and may secure additional debt ranking senior to, *pari passu* with or junior to the Notes and the Notes Guarantees. Although the First-Ranking Collateral will secure the Notes and the Notes Guarantees thereof on a first-priority basis and does not secure the obligations under the Senior Secured Credit Facilities Agreement, the First-Ranking Collateral may secure additional debt ranking *pari passu* with or junior to the Notes, to the extent permitted by the terms of the Indenture and the Intercreditor Agreement. The Indenture will also permit the granting of certain liens other than those in favor of the holders of the Notes on the Notes Collateral. To the extent that holders of other indebtedness or third parties enjoy liens, including statutory liens, whether or not permitted by the Indenture or the security documents, such holders or third parties may have rights and remedies with respect to the Collateral which, if exercised, could reduce the proceeds available to satisfy our obligations under the Notes. Moreover, under certain circumstances, we may be permitted to issue additional Notes under the Indenture or other indebtedness that is secured on a basis *pari passu* to the Notes or the Notes Guarantees in the future and holders of such additional Notes or other *pari passu* indebtedness would benefit from the same Collateral as the holders of the Notes. The rights of the holders of the Notes may therefore be diluted by any increase in the debt secured by the Collateral.

If we default on the Notes, holders of the Notes will be secured only to the extent of the value of the Collateral granted in favor of holders of the Notes. In addition, pursuant to the Intercreditor Agreement, the proceeds of an enforcement of the Shared Collateral will be applied in repayment of any Super Senior Liabilities, followed by any lenders under the Senior Secured Credit Facilities Agreement, among others, before repayment of the Notes and Notes Guarantees. In the event of an enforcement of the Collateral, the proceeds from the sale of the assets underlying the Collateral may not be sufficient to satisfy the Issuer's obligations with respect to the Notes including as a result of enforcement by creditors who are secured on the Shared Collateral on a first-ranking basis. No appraisal of the value of the Notes Collateral has been made in connection with this Offering. The value of the assets underlying the Collateral will also depend on many factors, including, among other things, whether or not the business is sold as a going concern, regulatory restrictions that could affect such sale, the ability to sell the assets in an orderly sale and the condition of the economies in which operations are located and the availability of buyers.

The Collateral that is pledged or assigned for the benefit of the holders of the Notes may provide for only limited repayment of the Notes, in part because most of such Collateral may not be liquid and its value to other parties may be less than their value to us. Likewise, we cannot assure you that the Collateral will be saleable or, if saleable, that there will not be substantial delays in the liquidation thereof. Furthermore, enforcement of the Collateral and any transfer of our operations may require, in certain jurisdictions, governmental or other regulatory consents, approvals or filings or might otherwise be challenged. Such consents, approvals or filings may take time to obtain or may not be obtained at all. As a result, enforcement may be delayed, a temporary shutdown of operations may occur and the value of the Collateral may be significantly decreased. Most of our assets do not secure the Notes and it is possible that the value of the Notes Collateral will not be sufficient to cover the amount of indebtedness secured by the Notes Collateral. With respect to the shares of the Issuer and the Original Guarantor that will be pledged to secure the Notes and the Notes Guarantees thereof, such shares may also have limited value in the event of bankruptcy, insolvency or other similar proceedings in relation to the entity's shares that have been pledged because all of the obligations of the entity whose shares have been pledged must first be satisfied, leaving little or no remaining assets in the pledged entity. As a result, the creditors may not recover anything of value in the case of an enforcement sale. In addition, the value of the Collateral may decline over time.

To the extent the claims of the holders of the Notes exceed the value of the Collateral securing the Notes and the Guarantees, those claims will generally rank equally with the claims of the holders of all other existing and future senior unsecured debt ranking *pari passu* with the Notes and the Notes Guarantees. As a result, if the value of the assets pledged as Collateral is less than the value of the claims of the holders of the Notes, those claims may not be satisfied in full. In addition, not all of our assets will secure the Notes, and the Indenture will allow the Issuer and its restricted subsidiaries to secure certain types of debt permitted to be incurred under the Indenture (which may be structurally senior to the Notes and the Notes Guarantees) with the property and assets of the restricted subsidiaries that do not secure the Notes. The value of such assets and property could be significant. If an event of default occurs and the obligations under the Notes are accelerated, the Notes and the Notes Guarantees will not benefit from the assets securing such secured debt and will rank equally with the holders of other unsecured debt of the Issuer and its restricted subsidiaries with respect to any property or assets that is excluded from the Collateral securing the Notes or such secured debt.

***The granting of the Notes Guarantees and security interests in connection with the issuance of the Notes, or the incurrence of permitted debt in the future, may create or restart hardening or voidance periods for such security interests in accordance with the laws applicable in certain jurisdictions.***

The granting of the Notes Guarantees and security interests to secure the Notes may create hardening or voidance periods for such Notes Guarantees and security interests in certain jurisdictions. The granting of shared security interests to secure future permitted debt may restart or reopen such hardening or voidance periods in particular, as the Indenture will permit the release and retaking of security granted in favor of the Notes in certain circumstances including in connection with the incurrence of future debt. The applicable hardening or voidance period for these new security interests can run from the moment each new security interest has been granted or perfected. At each time, if the security interest granted or recreated were to be enforced before the end of the respective hardening or voidance period applicable in such jurisdiction, it may be declared void or ineffective and/or it may not be possible to enforce it. See "*Certain Insolvency Law Considerations*."

The same rights may also apply in connection with the accession of further subsidiaries as Guarantors or the granting of security interest over any assets and equity interests for the benefit of holders of the Notes, as applicable.

***Enforcing your rights as a holder of the Notes or under the Notes Guarantees thereof or the Collateral across multiple jurisdictions may prove difficult.***

The Issuer is organized under the laws of England and Wales, the Guarantors are organized under the laws of England and Wales and Ireland and the Collateral will be granted by entities incorporated under the laws of England and Wales and Jersey. In the event of bankruptcy, insolvency, administration or a similar event, proceedings could be initiated in any of these jurisdictions. Your rights under the Notes, the Notes Guarantees and/or the Collateral are likely to be subject to insolvency and administrative laws of several jurisdictions, and there can be no assurance that you will be able to effectively enforce your rights in such complex proceedings.

The insolvency, administration and other laws of the jurisdiction of organization of the Issuer, the Guarantors or any third-party security provider may be materially different from, or conflict with, each other and with the laws of the United States, including in the areas of rights of creditors, priority of governmental and other creditors, the ability to obtain post-petition interest, the duration of proceeding and preference periods. The application of these laws, and any conflict between them, could call into question whether, and to what extent, the laws of any particular jurisdiction should apply, adversely affect your ability to enforce your rights under the guarantees and the security documents in these jurisdictions or limit any amounts that you may receive.

***The security interests in the Collateral have been, or will be, granted to the Security Agent rather than directly to the holders of the Notes. The ability of the Security Agent to enforce the Collateral may be restricted by local law.***

The security interests that will secure the obligations of the Issuer under the Notes and the obligations of the Guarantors under the Notes Guarantees have not been, and will not be, granted directly to the holders of the Notes but to the Security Agent, and thus the holders of the Notes will not have any independent power to enforce, or have recourse to, any of the security documents or to exercise any rights or powers arising under the security documents except through the Security Agent as provided by the terms of the Intercreditor Agreement. By accepting a Note, you will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the Notes will have limited remedies and recourse against us in the event of a default. See "*Description of Other Indebtedness and Financing Arrangements—Intercreditor Agreement*."

In addition, the ability of the Security Agent to enforce the security interests is subject to mandatory provisions of the laws of each jurisdiction in which security interests over the Collateral are taken. See "*Certain Insolvency Law Considerations*."

***Holders of the Notes may not control certain decisions regarding the Collateral.***

The Notes will be secured by the Shared Collateral which will also secure the obligations under the Senior Secured Credit Facilities Agreement and certain hedging liabilities. In addition, under the terms of the Indenture, we will be permitted to incur significant additional *pari passu* indebtedness and other obligations that may be secured by the same collateral. The Intercreditor Agreement will provide that the security agents, who will serve as the security agents for the secured parties with respect to the Collateral (including the Shared Collateral), will act only as provided for in the Intercreditor Agreement. The security agents may refrain from enforcing the Collateral unless otherwise instructed by the Instructing Group. The Security Agent for the Notes is not expected to act as common security agent for the security agent under the Senior Secured Credit Facilities Agreement. For the purposes of enforcement, "Instructing Group" means, subject to certain exceptions set out in "*Description of Other Indebtedness and Financing Arrangements—Intercreditor Agreement*," in the context of our capital structure upon consummation of the Transactions, more than 50% by value of the total senior secured credit participations under the Senior Secured Credit Facilities Agreement, certain hedge counterparties at that time, any other additional indebtedness that may be secured on such collateral on a *pari passu* basis (the "**Majority Senior Secured Creditors**"). The Majority Senior Secured Creditors may have interests that are different from the interests of holders of the Notes and they may, subject to the terms of the Intercreditor Agreement, elect to pursue their remedies under the Security Documents at a time when it would be disadvantageous for the holders of the Notes to do so. See "*Description of Other Indebtedness and Financing Arrangements—Intercreditor Agreement*."

***Rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral.***

Under applicable law, a security interest in certain tangible and intangible assets may in certain circumstances only be properly perfected, and its priority retained, through certain actions undertaken by the secured party or the grantor of the security, as applicable. The liens on the Collateral securing the Notes may not be perfected with respect to the claims under the Notes, if we fail or are unable to take the actions necessary to perfect any of these liens. Any failure to perfect any security interest in the Collateral may result in the invalidity or unenforceability of the relevant security interest or adversely affect the priority of such security interest in favor of the Notes against third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral. The Trustee and the Security Agent will not be under any obligation or responsibility to take any steps or action to perfect, or ensure the perfection of, any such liens.

***It is not possible to conduct lien searches in jurisdictions in which certain of the Guarantors are located.***

It is not possible to conduct comprehensive lien searches in all of the jurisdictions in which the Guarantors are organized. As a result, no assurance can be given that there does not exist one or more liens securing significant obligations having priority on certain of the Collateral, which liens may prevent or inhibit the Security Agent from foreclosing on the liens securing the Notes and may impair the value of the Collateral. For example, we cannot guarantee that information provided to us in response to company searches with the Registrar of Companies in England for security charges against our subsidiaries organized in England are accurate and complete because, for example, information which should have been registered with the Registrar of Companies may not have been so registered or information that has been lodged for inclusion in our English subsidiary's file may not have been fully updated.

***The Issuer and the Guarantors will have control over the Collateral, and the sale of particular assets could reduce the pool of assets securing the Notes.***

The security documents relating to the Collateral will, subject to the terms of the Senior Secured Credit Facilities Agreement (in respect of the Shared Collateral) and the Indenture, allow the Issuer and the Guarantors to remain in possession of, retain control over, freely operate, and collect, invest and dispose of any income from the Collateral. So long as no acceleration event under the Senior Secured Credit Facilities Agreement or the Indenture is occurring or would result therefrom, the Issuer and the Guarantors, may, among other things, without any consent by the Security Agent, conduct ordinary course activities with respect to the Collateral, such as selling, factoring or otherwise disposing of Collateral and making ordinary course cash payments, including repayments of indebtedness in accordance with the provisions of the Indenture and the Senior Secured Credit Facilities Agreement (in respect of the Shared Collateral). Any of these activities could reduce the value of the Collateral and consequently the amounts payable to holders of the Notes from the proceeds of any sale of the Collateral in the case of an enforcement.

***There are circumstances other than the repayment or discharge of the Notes under which the Notes Guarantees or the Collateral securing the Notes will be released automatically without your consent or the Trustee or the Security Agent obtaining your further consent.***

Under a variety of circumstances, the Collateral securing the Notes will be released automatically other than upon full repayment of the Notes. These include (among others) releases:

- in connection with certain sales or other dispositions of Collateral that are permitted in accordance with the Indenture;
- the property and assets of a Guarantor that is released from its Note Guarantee pursuant to the terms of the Indenture;
- the property and assets of any Restricted Subsidiary designated as an Unrestricted Subsidiary;
- in connection with certain permitted reorganizations or in connection with certain qualified receivables financings;
- in respect of the security interests in the shares of the Issuer in the event of an initial public offering of the Issuer; and
- otherwise in accordance with the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement.

See "*Description of the Notes—Security—Release of Liens*" for a description of the provisions governing releases of Collateral under the Indenture.

In addition, under a variety of circumstances, the Notes Guarantees will be released automatically other than upon full repayment of the Notes. These include (among others) releases:

- in connection with certain sales or other dispositions that are permitted in accordance with the Indenture where the Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;
- so long as no Event of Default has occurred and is continuing, to the extent that such Guarantor's guarantee under the Senior Secured Credit Facilities Agreement is released and such Guarantor is not guaranteeing certain other kinds of debt;
- if such Guarantor is designated as an Unrestricted Subsidiary;
- in connection with certain mergers, certain solvent liquidations, certain regulatory redress liability management exercises or certain permitted reorganizations; and
- otherwise in accordance with the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement.

See "*Description of the Notes—The Note Guarantees—Note Guarantees Release*" for a description of the provisions governing releases of Notes Guarantees under the Indenture.

The Indenture will also permit us to designate one or more restricted subsidiaries that are Notes Guarantors as unrestricted subsidiaries. If we designate a Guarantor as an unrestricted subsidiary for purposes of the Indenture, all of the liens on the Collateral owned by such subsidiary and any Notes Guarantee by such subsidiary will be released under the Indenture, subject to certain conditions. Designation of an unrestricted subsidiary as such will reduce the aggregate value of the Collateral securing the Notes to the extent of liens securing the shares of such unrestricted subsidiary or of its subsidiaries.

***Certain actions in respect of defaults taken under the Indenture by beneficial owners with short positions in excess of their interests in the Notes will be disregarded.***

By acceptance of the Notes, each holder of Notes agrees, in connection with certain notices of Default (as defined under "*Description of the Notes*"), notices of acceleration or instructions to the Trustee to provide certain notices of Default, notices of acceleration or take any other action (a "**Noteholder Direction**"), to (i) deliver a written representation to the Issuer and the Trustee that such holder and any of its affiliates acting in concert with it in connection with its investment in the Notes (other than screened affiliates) are not (or, in the case such holder is a clearing system or its respective nominee, that such holder is being instructed solely by beneficial owners that (together with such affiliates) are not) Net Short (as defined under "*Description of the Notes*") and (ii) provide the Issuer with such other information as the Issuer may reasonably request from time to time in order to verify the accuracy of such holder's representation within five business days of request therefor. Holders of the Notes, including holders that have hedged their exposure to the Notes in the ordinary course and not for speculative purposes, may not be able to make such representations or provide the requested additional information. These restrictions may impact a holder's ability to participate in Noteholder Directions.

***The insolvency laws of England and Wales and other applicable jurisdictions may not be as favorable to you as the insolvency laws of the United States or those of another jurisdiction with which you are familiar; other limitations on the Notes Guarantees and the Security Interests in the Collateral, including fraudulent conveyance statutes, may adversely affect their validity and enforceability.***

On the Issue Date, the Issuer's obligations under the Notes will be guaranteed by the Original Guarantor and secured by security interests in the Collateral. The Issuer and the Original Guarantor are organized under the laws of England and Wales. See also "*—Certain Notes Guarantees will not be provided until after the Issue Date*" and "*—Enforcing your rights as a holder of the Notes or under the Notes Guarantees thereof or the Collateral across multiple jurisdictions may prove difficult*." There is a rebuttable presumption that the "centre of main interest" as defined in the Council of the European Union Regulation No. 2015/848 on Insolvency Proceedings is the jurisdiction where the registered office is situated. The insolvency laws of certain jurisdictions may not be as favorable to your interests as the laws of the United States or other jurisdictions with which you are familiar. In the event that any one or more of the Issuer, the Guarantors or any other of the Issuer's subsidiaries experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

Although laws differ among the jurisdictions, in general, applicable fraudulent transfer and conveyance and equitable principles, insolvency laws and limitations on the enforceability of judgments obtained in courts in such jurisdictions could limit the enforceability of the Notes against the Issuer, the enforceability of a Notes Guarantee against a Guarantor and the enforceability of the security interests in the Collateral. In certain circumstances the court may also void the security interest in the Collateral or the Notes Guarantee if the company is close to or near insolvency. The following discussion of fraudulent transfer, conveyance and insolvency law, although an overview, describes generally applicable terms and principles, which are defined under the relevant jurisdiction's fraudulent transfer and insolvency statutes.

In an insolvency proceeding, it is possible that creditors of the Guarantors or the appointed insolvency administrator may challenge the guarantees and the security interests in the Collateral and intercompany obligations generally, as preferences, transaction at an undervalue, invalid charges, fraudulent transfers or conveyances or on other grounds. If so, such laws may permit a court, if it makes certain findings, to:

- avoid or invalidate all or a portion of a Guarantor's obligations under its Notes Guarantee or the security interests provided by such security provider;
- direct that the Issuer and the holders of the Notes return any amounts paid under a Notes Guarantee or any security interest in the Collateral to the relevant Guarantor or security provider or to a fund for the benefit of the Guarantor's or security provider's creditors; and
- take other action that is detrimental to you.

If we cannot satisfy our obligations under the Notes and any Notes Guarantee or security interest in the Collateral is found to be a preference, transaction at an undervalue, fraudulent transfer or conveyance or is otherwise set aside, we cannot assure you that we can ever repay in full any amounts outstanding under the Notes. In addition, the liability of each Guarantor or security provider under its Notes Guarantee or the security interests in the Collateral is limited to the amount that will result in such guarantee or Security Interests not constituting a fraudulent conveyance or improper corporate distribution or otherwise being set aside. The amount recoverable from the Guarantors and security providers under the Security Documents is also limited. However, there can be no assurance as to what standard a court would apply in making a determination of the maximum liability of each. There is also the possibility that the entire Notes Guarantee or security interest may be set aside, in which case the entire liability may be extinguished. See also "*—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Notes Guarantees and the Collateral may adversely affect the validity and enforceability of the Notes Guarantees and the Collateral*."

In order to initiate any of these actions under fraudulent transfer or other applicable principles, courts would, for example, need to find that, at the time the Notes Guarantees were issued or the security interests in the Collateral created and in case such transaction occurred within a specific time period before the opening of insolvency proceedings, the Notes Guarantor or security provider:

- issued such Notes Guarantee or created such security interest with the intent of hindering, delaying or defrauding current or future creditors or with a desire to prefer some creditors over others, or created such security after its insolvency;
- issued such Notes Guarantee or created such security interest in a situation where a prudent business person as a shareholder of such Guarantor or security provider would have contributed equity to such Guarantor or security provider or where the relevant beneficiary of the Notes Guarantee or security interest knew or should have known that the Guarantor or security provider was insolvent or a filing for insolvency had been made; or
- received less than reasonably equivalent value for incurring the debt represented by the Notes Guarantee or security interest in the Collateral on the basis that the Notes Guarantee or security interest in the Collateral was incurred for our benefit, and only indirectly the Guarantor's or security provider's benefit, or on some other basis and (i) was insolvent or rendered insolvent by reason of the issuance of the Notes Guarantee or the creation of the security interest, or subsequently became insolvent for other reasons; (ii) was engaged, or was about to engage, in a business transaction for which the Guarantor's or security provider's assets were unreasonably small; or (iii) intended to incur, or believed it would incur, debts beyond its ability to make required payments as and when they would become due.

Different jurisdictions evaluate insolvency on various criteria, but a Guarantor or security provider generally may, in different jurisdictions, be considered insolvent at the time it issued a Notes Guarantee or created any security interest in the Collateral if:

- its liabilities exceed the fair market value of its assets;
- it cannot pay its debts as and when they become due; or
- the present saleable value of its assets is less than the amount required to pay its total existing debts and liabilities, including contingent and prospective liabilities, as they mature or become absolute.

Although we believe that the Issuer and the Group are solvent, and will be so after giving effect to the Transactions, there can be no assurance as to which standard a court would apply in determining whether a Guarantor or security provider was "insolvent" as of the date such Notes Guarantee was issued or the security interests in the Collateral were created or that, regardless of the method of valuation, a court would not determine that a Guarantor or security provider was insolvent on that date, or that a court would not determine, regardless of whether or not a Guarantor or security provider was insolvent on the date its Notes Guarantee was issued or the security interests in the Collateral were created, that payments to holders of the Notes constituted fraudulent transfers on other grounds.

For an overview of certain insolvency laws and enforceability issues as they relate to the Notes Guarantees and Security Interests, see "*Certain Insolvency Law Considerations*."

***Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Notes Guarantees and the Collateral may adversely affect the validity and enforceability of the Notes Guarantees and the Collateral.***

Certain of the Guarantors are organized under the laws of England and Wales and the Republic of Ireland. Enforcement of the obligations under a Notes Guarantee against, and/or any Collateral provided by, as applicable, any such Guarantor will be subject to certain defenses available to the Issuer or the relevant Guarantor, as the case may be. These laws and defenses may include those that relate to fraudulent conveyance, financial assistance, corporate benefit, capital maintenance, liquidity maintenance or similar laws as well as regulations or defenses affecting the rights of creditors generally, particularly by limiting the amounts recoverable under the Notes Guarantees and Collateral, as applicable, and the amounts recoverable thereunder are limited to the maximum amount that can be guaranteed or secured by a particular Guarantor or security provider under the applicable laws of each jurisdiction, to the extent that the granting of such Notes Guarantee or Collateral is not in the relevant Guarantor's or security provider's corporate interests, or the burden of such Notes Guarantee or Collateral exceeds the benefit to the relevant Guarantor or security provider, or such Notes Guarantee or Collateral would be in breach of capital maintenance, liquidity maintenance or thin capitalization rules or any other general statutory laws and/or would cause the directors of such subsidiary Guarantor or security provider to contravene their fiduciary duties and incur civil or criminal liability. See "*Description of the Notes—Security—General.*"

As a result, any Guarantor's or security provider's liability under its Notes Guarantee or the Collateral could be materially reduced or eliminated, depending upon the law and contractual enforcement restrictions applicable to it. This could lead to a situation in which such Notes Guarantee or such Collateral cannot be enforced at all. It is possible that a Guarantor or security provider, or any of their creditors, or the bankruptcy trustee or other insolvency office holder in the case of a bankruptcy/insolvency of a Guarantor or security provider, may contest the validity and enforceability of the Guarantor's Notes Guarantee or the Collateral provided by the security provider on any of the above grounds and that the applicable court may determine that the Notes Guarantee or Collateral should be limited or voided. To the extent that any limitations on the relevant Notes Guarantees or Collateral apply, the Notes would be to that extent effectively subordinated to all liabilities of the applicable Notes Guarantor or security provider, including trade payables of such Guarantor or security provider. Future Notes Guarantees or Collateral may be subject to similar limitations. See "*Certain Insolvency Law Considerations*."

***Transfer of the Notes will be restricted, which may adversely affect the value of the Notes.***

Because the Notes will not be, and are not required to be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction, they may not be offered or sold in the United States except to QIBs in accordance with Rule 144A, in offshore transactions in accordance with Regulation S or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and all other applicable laws. These restrictions may limit the ability of investors to resell the Notes. It is the obligation of investors in the Notes to ensure that all offers and sales of the Notes in the United States and other countries comply with applicable securities laws. See "*Notice to Investors*."

***The Indenture will not be qualified under the U.S. Trust Indenture Act of 1939, as amended (the "TIA").***

The Indenture with respect to the Notes offered hereby is not required to be, nor will it be, qualified under the TIA and will not incorporate or include or be subject to any of the provisions of the TIA. Consequently, the holders of the Notes will not be entitled to the protections provided under the TIA to holders of debt securities issued under a qualified indenture, including those respecting preferential collections by the Trustee or conflicting interests of the Trustee. See "*Description of the Notes*." For example, the eligibility and disqualification requirements of the TIA will not apply and, if they did, the Trustee would not be eligible to act as trustee under the Indenture if it was deemed to be under common control with the Issuer. See "*Related Party Transactions*."

***The Intercreditor Agreement has not yet been executed.***

The Intercreditor Agreement has not yet been executed by the parties thereto and there is no assurance that the terms included in this Offering Memorandum under the heading "*Description of Other Indebtedness—Intercreditor Agreement*" will be the final terms of the Intercreditor Agreement.

***The Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.***

The Notes will initially only be issued in global certificated form and held through DTC. Interests in the global notes will trade in book-entry form only, and the Notes in definitive registered form, or definitive registered notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of the Notes. The nominee for DTC will be the sole registered holder of the global notes representing the Notes.

Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to the paying agent, which will make payments to DTC. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the nominee for DTC, the Issuer will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if investors own a book-entry interest, they must rely on the procedures of DTC, and if investors are not participants in DTC, they must rely on the procedures of the participant through which they own their interest, to exercise any rights and obligations of a holder of the Notes under the Indenture, as applicable.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if an investor owns a book-entry interest, it will be permitted to act only to the extent it has received appropriate proxies to do so from DTC. The procedures implemented for the granting of such proxies may not be sufficient to enable such investor to vote on a timely basis. Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered notes are issued in respect of all book-entry interests, if investors own book-entry interests, they will be restricted to acting through DTC. The procedures to be implemented through DTC may not be adequate to ensure the timely exercise of rights under the Notes. See "*Book-Entry, Delivery and Form*."

***There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited.***

We cannot assure you as to:

- the liquidity of any market in the Notes;
- your ability to sell your Notes; or
- the prices at which you would be able to sell your Notes.

Future trading prices of the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. Any such disruption may have a negative effect on you, as a holder of Notes, regardless of our prospects and financial performance.

***Investors may not be able to recover in civil proceedings for U.S. securities law violations.***

Each of the Issuer and the Guarantors and their respective subsidiaries are organized outside the United States, and our business is conducted entirely outside the United States. The directors, managers and/or executive officers of the Issuer and the Guarantors are non-residents of the United States. Although we and the Guarantors will submit to the jurisdiction of certain New York courts in connection with any action under US securities laws, you may be unable to effect service of process within the United States on these directors, managers and executive officers. In addition, as all of the assets of the Issuer and the Guarantors and their respective subsidiaries and those of their directors and executive officers are located outside of the United States, you may be unable to enforce judgments obtained in the US courts against them. Moreover, actions of the Issuer and the Guarantors may not be subject to the provisions of the federal securities laws of the United States. The United States is not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters with England and Wales. There is, therefore, doubt as to the enforceability in England and Wales of US securities laws in an action to enforce a US judgment in such jurisdictions. In addition, the enforcement in England and Wales of any judgment obtained in a US court, whether or not predicated solely upon US federal securities laws, will be subject to certain conditions. There is also doubt that a court in England and Wales would have the requisite power or authority to grant remedies sought in an original action brought in such jurisdictions on the basis of US securities laws violations. See "*Service of Process and Enforcement of Civil Liberties*."

***The Issuer may not be able to repurchase the Notes upon a change of control. In addition, under certain circumstances, the Issuer may have the right to purchase all outstanding Notes in connection with a tender offer, even if certain holders do not consent to the tender.***

Upon the occurrence of certain events constituting a change of control under the Indenture, the Issuer will be required to make an offer to purchase all the then outstanding Notes at a price in cash equal to 101% of the principal amount thereof, plus any accrued and unpaid interest (at the rate of Cash Interest) and additional amounts, if any, to, but excluding, the date of purchase. In such a situation, the Issuer may not have enough funds to purchase all of the then outstanding Notes that are tendered under any such offer. If a significant principal amount of Notes is tendered, the Issuer will likely have to obtain financing to pay for the tendered Notes. However, the Issuer may not be able to obtain such financing on acceptable terms, if at all. A change of control may also result in a mandatory prepayment, event of default or acceleration under the Senior Secured Credit Facilities Agreement and agreements governing any future indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. Any failure by the Issuer to offer to purchase the Notes upon a change of control would constitute a default under the Indenture, which would, in turn, constitute a default under the Senior Secured Credit Facilities Agreement. See "*Description of the Notes—Change of Control*."

The change of control provision that will be contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including reorganizations, restructurings, mergers, recapitalizations or other similar transactions involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a change of control as defined in the Indenture.

In addition, in connection with any tender offer for the Notes, if holders of not less than 90% in aggregate principal amount of the then outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases, all of the Notes validly tendered and not withdrawn by such holders, the Issuer or such third party will have the right to redeem the Notes that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other holder of Notes (which may be less than par and may exclude any early tender or incentive fee). See "*Description of the Notes—Optional Redemption—Optional Redemption upon any Tender Offer*."

***The term "all or substantially all" in the context of a change of control has no clearly established meaning under relevant law and is subject to judicial interpretation such that it may not be certain that a change of control has occurred or will occur.***

The definition of "change of control" in the Indenture includes (with certain exceptions) a disposition of all or substantially all of the assets of the relevant Issuer and its restricted subsidiaries (taken as a whole) to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all," it has no clearly established meaning under relevant law, varies according to the facts and circumstances of the subject transaction and is subject to judicial interpretation. Accordingly, in certain circumstances, there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of "all or substantially all" of the assets of a person, and therefore it may be unclear whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

***If the Notes are redeemed early, an investor may not be able to reinvest such proceeds in a comparable security.***

In the event that the Notes are redeemed early in accordance with "*Description of the Notes—Optional Redemption*" and depending on prevailing market conditions at the time, an investor who receives proceeds due to such an early redemption may not be able to reinvest such proceeds in a comparable security at an effective interest rate as high as that carried by the Notes.

***Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.***

One or more independent credit rating agencies may assign credit ratings to the Notes. The credit ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurances can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

***Certain covenants and events of default will be suspended if we receive investment grade ratings.***

The Indenture will provide that, if at any time following the Issue Date, the Notes issued thereunder receive two of the following investment grade ratings: Baa3 or better by Moody's, and/or BBB– or better by S&P, and/or BBB– or better by Fitch, and no default or event of default has occurred and is continuing, then beginning that day and continuing until such time as such Notes are no longer rated investment grade by two of the three ratings agencies, certain covenants will cease to be applicable to such Notes. See "*Description of the Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status*." At any time when these covenants are suspended, we will be able to, among other things, incur additional indebtedness, pay cash dividends and redeem subordinated indebtedness without restriction, each of which may conflict with the interests of holders of the Notes. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating if achieved will be maintained.

***The Notes may not become or remain listed on the Exchange.***

Application will be made to The International Stock Exchange Authority Limited for the listing of and permission to deal in the Notes on the Official List of the Exchange. However, there can be no assurance that the Notes will become or remain listed. If the Issuer cannot maintain the listing on the Official List of the Exchange and the admission to dealing on the Official List thereof, or if it becomes unduly burdensome to make or maintain such listing, the Issuer may cease to make or maintain such listing on the Official List of the Exchange.

Listing of any of the Notes on the Official List of the Exchange does not imply that a public offering of any of the Notes in the Channel Islands has been authorized. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Official List of the Exchange or another recognized listing exchange for comparable issuers, failure to be approved for listing or the delisting of the Notes from the Official List of the Exchange or another listing exchange may have an adverse effect on a holder's ability to resell Notes in the secondary market.

A failure to list the Notes may also have adverse UK withholding tax consequences for the Issuer. See "*Certain Tax Considerations—United Kingdom Tax Considerations–Interest on the Notes*." Under the Indenture, the Issuer will be required to gross up payments to investors which are subject to UK withholding tax, subject to certain exceptions. See "*Description of the Notes—Withholding Taxes*." It may be possible in certain circumstances that a gross up for withholding taxes on amounts paid in respect of the Notes is not required under the Indenture. In cases where the Issuer is required to gross up payments to a holder of the Notes, this will reduce the available funds of the Issuer and therefore may reduce the ability of the Issuer to comply with its payment obligations in respect of the Notes.

***Investors may face foreign exchange risks by investing in the Notes.***

The Notes will be denominated and payable in U.S. dollars. If investors measure their investment returns by reference to a currency other than U.S. dollar, an investment in the Notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the values of the U.S. dollar relative to the currency by reference to which investors measure the return on their investments because of economic, political and other factors over which we have no control. Depreciation of the U.S. dollar against the currency by reference to which investors measure the return on their investments could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to investors when the return on the Notes is translated into the currency by reference to which the investors measure the return on their investments.

***The Notes will be treated as issued with original issue discount for U.S. federal income tax purposes.***

Because no portion of the stated interest on the Notes is unconditionally payable in cash at least annually, no stated interest payments on the Notes will be treated as qualified stated interest for U.S. federal income tax purposes. As a result, the Notes will be treated as issued with OID for U.S. federal income tax purposes in an amount equal to the excess of the total payments of principal and stated interest on the Notes over their issue price. Holders subject to U.S. federal income taxation generally will be required to include OID in gross income (as ordinary income) for U.S. federal income tax purposes as it accrues (on a constant yield to maturity basis), in advance of the receipt of cash attributable to that income, irrespective of their regular method of tax accounting. See "*Certain United States Federal Income Tax Considerations*."

***The interests of our principal shareholders may conflict with your interests.***

The interests of our principal shareholders, in certain circumstances, may conflict with your interests as holders of the Notes. HPS and MDP, together, indirectly own the majority of the Issuer's shares. As of the date of this offering memorandum, 52.8% of the voting interests in Topco are owned by funds managed, advised and/or controlled by HPS or its affiliates and 42.2% are owned by entities affiliated with MDP. See "*Shareholders*." As a result, HPS and MDP, together, have, and will continue to have, directly or indirectly, the power, among other things, to affect our legal and capital structure and our day-to-day operations, as well as the ability to elect and change our management and to approve any other changes to our operations. For example, the shareholders could vote to cause us to incur additional indebtedness, to sell certain material assets or make dividends, in each case, so long as the Indenture, the Senior Secured Credit Facilities Agreement and the Intercreditor Agreement so permit. The incurrence of additional indebtedness would increase our debt service obligations and the sale of certain assets could reduce our ability to generate revenue, each of which could adversely affect holders of the Notes. Additionally, our second largest shareholders, investment funds managed by MDP, are indirect shareholders of, and indirectly control, Ankura Trust Company, LLC, which is the Trustee. See *"Related Party Transactions."* As a result, MDP could attempt to cause Ankura Trust Company, LLC, acting as Trustee, to act in a manner that could conflict with your interests as holders of the Notes, in which case they may need to resign.

## USE OF PROCEEDS

We intend to use the proceeds of the Offering, together with certain proceeds from drawings under the Term Facility, (i) to fund the Existing Notes Redemption; (ii) to repay drawn amounts under the Existing Revolving Credit Facility Agreement; (iii) to fund the Arachas Acquisition, the Bravo Acquisition and the Bennetts Acquisition, (iv) to pay the fees and expenses incurred in connection with the Transactions, including fees and expenses incurred in connection with the Offering and redemption costs incurred in connection with the Existing Notes Redemption; and (v) for general corporate purposes. See "*Capitalization*."

| **Sources of funds** | **(£ in millions)** | **Uses of funds** | **(£ in millions)** |
|---|---|---|---|
| Term Facility[(1)] | 1,575.0 | Redemption of the Existing Notes[(3)] | 1,142.5 |
| Notes offered hereby[(2)] | 400.0 | Redemption Costs[(4)] | 96.5 |
| | | Repayment of Existing Revolving Credit Facilities[(5)] | 70.0 |
| | | Bravo Acquisition[(6)] | 295.0 |
| | | Arachas Acquisition[(7)] | 254.6 |
| | | Bennetts Acquisition[(8)] | 28.8 |
| | | Estimated fees and expenses for the Transactions[(9)] | 79.7 |
| | | Cash on balance sheet | 8.0 |
| **Total sources** | **1,975.0** | **Total uses** | **1,975.0** |

(1) Represents the sterling-equivalent gross proceeds from the Term Facility, comprising a €180 million euro tranche and a sterling tranche in the remaining amount.

(2) Represents the sterling-equivalent gross proceeds of the Notes offered hereby (calculated using an exchange rate of $1.25 to £1.00).

(3) Represents the principal amounts outstanding under the Existing Notes calculated on the basis of our hedged exchange rate.

(4) Represents estimated premium payable in connection with the Existing Notes Redemption plus estimated accrued and unpaid interest to June 30, 2020.

(5) Represents repayment of the amount drawn under the Existing Revolving Credit Facility.

(6) Represents the cash consideration for the Bravo Acquisition, repayment of existing debt, plus costs related to the Bravo Acquisition and redemption costs for existing financing. See "*Summary—The Transactions—The Bravo Acquisition*."

(7) Represents the cash consideration for the Arachas Acquisition, repayment of existing debt, plus costs related to the Arachas Acquisition and redemption costs for existing financing. See "*Summary—The Transactions—The Arachas Acquisition Agreement*."

(8) Represents the cash consideration for the Bennetts Acquisition, plus costs related to the Bennetts Acquisition. If the Bennetts Acquisition is not consummated, this amount will be used for general corporate purposes.

(9) Represents transaction costs plus original issue discount applied to the Term Facility.

## CAPITALIZATION

The following table sets forth the net cash and cash equivalents and capitalization as of March 31, 2020: (i) of Topco on a historical consolidated basis; and (ii) of Topco as adjusted for the consummation of the Transactions as if they had occurred as of March 31, 2020. The as adjusted financial data has not been prepared in accordance with the requirements of Regulation S-X of the Securities Act, the Prospectus Regulation or any generally accepted accounting standards. Neither the assumptions underlying the pro forma adjustments nor the resulting as adjusted financial data have been audited or reviewed in accordance with any generally accepted audited standards.

The adjusted information below is presented for illustrative purposes only and does not purport to be indicative of our cash and cash equivalents or our capitalization following the completion of the Offering. You should read the following table in conjunction with "*Presentation of Financial Information*," "*Use of Proceeds*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Description of Other Indebtedness and Financing Arrangements*," the Ardonagh Q1 2020 Unaudited Interim Financial Statements and the Ardonagh 2019 Audited Financial Statements included elsewhere in this offering memorandum.

| | As of March 31, 2020 | |
|---|---|---|
| **(£ in millions)** | **Historical** | **As adjusted** |
| **Net cash and cash equivalents** | 55[(1)] | 63[(2)] |
| **Indebtedness** | | |
| Secured Credit Facilities | | |
| Term Facility[(3)] | — | 1,502 |
| New Revolving Credit Facility[(4)] | — | — |
| CAR Facility[(5)] | — | — |
| Notes offered hereby[(6)] | — | 393 |
| Existing Notes[(7)] | 1,129 | — |
| Existing Revolving Credit Facility[(8)] | 68 | — |
| **Total Financial indebtedness[(9)]** | 1,197 | 1,895 |
| Total shareholders' equity[(10)] | 63 | 28 |
| **Total capitalization** | **1,260** | **1,924** |

(1) Net cash and cash equivalents represents our total cash and cash equivalents excluding fiduciary funds in an amount of £329.5 million and TC 2.4 restricted cash in an amount of £23.1 million. Fiduciary cash consists of client money in respect of insurance premiums due to insurance companies and insurance company money in respect of claims payments due to policyholders. TC 2.4 restricted cash consists of cash deposits kept for purposes of solvency and capital adequacy requirements imposed by the FCA.

(2) Represents net cash and cash equivalents as of March 31, 2020 as adjusted for the Transactions. As adjusted net cash and cash equivalents have not been adjusted to reflect any other changes in our cash balances since March 31, 2020. The actual amount of net cash and cash equivalents as of the Issue Date may vary.

(3) Represents the sterling equivalent of aggregate principal amount drawn under the Term Facility, less estimated debt issuance costs allocated between the Notes offered hereby and the Term Facility on a pro-rata basis.

(4) The New Revolving Credit Facility is expected to be undrawn as of the Issue Date.

(5) The CAR Facility is expected to be undrawn as of the Issue Date.

(6) Represents the pounds sterling equivalent of the £400 million (equivalent) aggregate principal amount of Notes offered hereby, (calculated using an exchange rate of $1.25 to £1.00), less estimated debt issuance costs allocated between the Notes offered hereby and the Term Facility on a pro-rata basis.

(7) Represents the Existing Sterling Notes and the pounds sterling-equivalent of the Existing Dollar Notes net of unamortized capitalized transaction costs, translated using the exchange rate from our balance sheet as of March 31, 2020. As of March 31, 2020, the Existing Notes were £1,142.5 million when calculated using the hedged exchange rate for the Existing Dollar Notes of $1.2979 to £1.00 and excluding capitalized transaction costs.

(8) Represents the aggregate principal amount of £70.0 million drawn under the Existing Revolving Credit Facility (net unamortized capitalized transaction costs) which will be cancelled, on or about the date of closing of the Offering. The LC Facility of £50.0 million will be replaced by a new LC facility in the same amount.

(9) Excludes lease liabilities.

(10) Represents as adjusted total shareholders' equity as of March 31, 2020 including an adjustment for £35.1 million for the write-off of unamortized debt issuance costs as of the same date.

## SELECTED HISTORICAL FINANCIAL INFORMATION AND OTHER DATA

The following selected historical consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, and consolidated statement of cash flows for Topco (i) as of and for the year ended December 31, 2019 and as of and for the year ended December 31, 2018 have been derived from the Ardonagh 2019 Audited Financial Statements which have been prepared in accordance with IFRS and are included elsewhere in this offering memorandum, and (ii) as of and for the three months ended March 31, 2020 and March 31, 2019 have been derived from the Ardonagh Q1 2020 Unaudited Interim Financial Statements which have been prepared in accordance with IAS 34 and are included elsewhere in this offering memorandum.
In the Ardonagh 2019 Audited Financial Statements, the consolidated statement of financial position as of December 31, 2018 and the consolidated statements of profit or loss and other comprehensive income and of cash flows for the year ended December 31, 2018, were restated principally to reflect the recognition of a deferred tax asset, and related impact in the tax credit line item, in our consolidated financial statements in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. The adjustment increased deferred tax assets and decreased retained losses in the statement of financial position by £32.4 million as of December 31, 2018, and it increased the tax credit in the income statement for the year ended December 31, 2018 by £8.9 million (see note 30 in Ardonagh 2019 Audited Financial Statements). In addition, in the consolidated statement of financial position as of December 31, 2018 included in the Ardonagh 2019 Audited Financial Statements, we subsumed the share-payment reserve of £0.2 million, which was previously presented separately, within retained losses and reclassified £0.1 million related to purchase of own shares from retained losses to a treasury shares reserve. Therefore, the consolidated statement of financial position as of December 31, 2018 and the consolidated statements of profit or loss and other comprehensive income and of cash flows for the year ended December 31, 2018 included in this offering memorandum differ from the consolidated statement of financial position as of December 31, 2018 and from the consolidated statements of profit or loss and other comprehensive income and of cash flows for the year ended December 31, 2018 included in Ardonagh 2018 Audited Financial Statements. The Ardonagh 2018 Audited Financial Statements, together with Deloitte LLP's audit report thereon, should be read in the context of the Ardonagh 2019 Audited Financial Statements, which present these subsequent restatements, together with Deloitte LLP's audit report thereon.

Similarly, the unaudited condensed interim consolidated statements of profit or loss and other comprehensive income and of cash flows for the three months period ended March 31, 2019, included in the Ardonagh Q1 2020 Unaudited Interim Financial Statements, have been restated to reflect (i) the impact of the deferred tax asset described in the paragraph above which increased deferred tax assets and decreased retained losses in the statement of financial position by £34.7 million as of March 31, 2019 and increased the tax credit in the income statement for the three months ended March 31, 2019 by £2.3 million and (ii) the reclassification of the item "derecognition of assets following a sale of business" presented in the amount of £0.8 million to "depreciation, amortization and impairment of non-financial assets" in the unaudited condensed interim consolidated statement of profit or loss and other comprehensive income. Therefore, the unaudited condensed interim consolidated statements of profit or loss and other comprehensive income and of cash flows for the three months period ended March 31, 2019, included in the Ardonagh Q1 2020 Unaudited Interim Financial Statements included in this offering memorandum differ from the unaudited condensed interim consolidated statements of profit or loss and other comprehensive income and of cash flows for the three months period ended March 31, 2019, included in the Ardonagh unaudited interim financial statements as of and for the three months ended March 31, 2019.

This section includes financial information prepared under IFRS and certain non-IFRS financial measures. You should read the information summarized below in conjunction with the information contained in "*Presentation of Financial Information*," "*Use of Proceeds*," "*Capitalization*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," and "*Description of the Notes*," the Ardonagh Financial Statements, which are included elsewhere in this offering memorandum.

*Topco Consolidated Statement of Profit or Loss and other Comprehensive Income*

| £ thousands | Year ended December 31, 2018* | Year ended December 31, 2019 | Three months ended March 31, 2019* | Three months ended March 31, 2020 | Twelve months ended March 31, 2020 |
|---|---|---|---|---|---|
| Commission and fees | 521,901 | 640,662 | 151,920 | 155,219 | 643,961 |
| Other income | 2,572 | 22,168 | 4,503 | 4,087 | 21,752 |
| Investment income | 2,106 | 2,657 | 582 | 522 | 2,597 |
| Salaries and associated costs | (291,372) | (321,556) | (78,141) | (75,113) | (318,528) |
| Other operating costs | (211,211) | (231,655) | (53,484) | (48,095) | (226,266) |
| Impairment of financial assets | (5,061) | (14,465) | (2,095) | (2,081) | (14,451) |
| Depreciation, amortization and impairment of non-financial assets | (71,284) | (95,713) | (24,826) | (21,796) | (92,683) |
| Adjustment to goodwill in respect of prior years | (3,095) | — | — | — | — |
| Fair value (loss)/gain on derivatives | 2,485 | (604) | (593) | — | (11) |
| Share of profit from joint venture | 1,777 | 1,680 | 452 | 372 | 1,600 |
| Share of profit from associate | — | 217 | — | 108 | 325 |
| **Operating profit/(loss)** | **(51,182)** | **3,391** | **(1,682)** | **13,223** | **18,296** |
| Adjustment to gain on disposal of associate | 7,482 | 1,750 | — | — | 1,750 |
| Gain on disposal of business | 19 | 2,244 | 2,572 | — | (328) |
| Finance costs | (94,655) | (113,606) | (28,658) | (27,209) | (112,157) |
| Finance income | 533 | 2,003 | 545 | 227 | 1,685 |
| **Loss before tax** | **(137,803)** | **(104,218)** | **(27,223)** | **(13,759)** | **(90,754)** |
| Tax credit | 35,109 | 30,216 | 4,865 | 83 | 25,434 |
| **Loss for the period** | **(102,694)** | **(74,002)** | **(22,358)** | **(13,676)** | **(65,320)** |
| **Attributable to:** | | | | | |
| Owners of the parent | (106,751) | (77,826) | (22,699) | (14,574) | (69,701) |
| Non-controlling interests | 4,057 | 3,824 | 341 | 898 | 4,381 |
| **Loss for the period** | **(102,694)** | **(74,002)** | **(22,358)** | **(13,676)** | **(65,320)** |

* Restated: We have recognized a deferred tax asset in our consolidated financial statements as of and for the year ended December 31, 2019 in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. A deferred tax asset is recognized on the basis that future taxable profits will arise in the consolidated financial statements as a result of the unwind of the deferred tax liability that was already included in those financial statements in relation to intangible assets recognized on a business combination. The adjustment increased deferred tax assets and decreased retained losses in the statement of financial position by £32.4 million as of December 31, 2018, and it increased the tax credit in the income statement for the year ended December 31, 2018 by £8.9 million. The adjustment increased deferred tax assets and decreased retained losses in the statement of financial position by £34.7 million as of March 31, 2019 and it increased the tax credit in the income statement for the three months ended March 31, 2019 by £2.3 million. Additionally, £0.8 million presented as "derecognition of assets following a sale of business" in the three months ended March 31, 2019 have been reclassified to Depreciation, amortization and impairment of non-financial assets.

*Topco Consolidated Statement of Financial Position*

| £ thousands | As of December 31, 2018* | As of December 31, 2019 | As of March 31, 2020 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 1,095,203 | 1,112,194 | 1,122,642 |
| Property, plant and equipment | 37,008 | 26,168 | 25,569 |
| Right-of-use assets | — | 36,209 | 38,162 |
| Investment in associates and joint ventures | 3,340 | 7,420 | 7,224 |
| Financial assets at fair value through other comprehensive income | 271 | 271 | 271 |
| Trade and other receivables | 17,500 | 15,756 | 15,379 |
| Contract assets | 2,279 | 1,708 | 1,690 |
| Other assets | 3,706 | 9,037 | 10,122 |
| Deferred tax asset | — | 22,687 | 22,246 |
| Derivatives | 1,549 | 1,709 | 19,402 |
| | **1,160,856** | **1,233,159** | **1,262,707** |
| **Current assets** | | | |
| Cash and cash equivalents | 504,956 | 410,903 | 407,686 |
| Trade and other receivables | 255,216 | 155,573 | 169,023 |
| Derivatives | 2,929 | 4,532 | 7,071 |
| Contract assets | 10,315 | 9,801 | 9,835 |
| Other assets | 16,266 | 19,098 | 19,185 |
| Financial assets at fair value through profit or loss | 42 | 36 | 27 |
| Current tax asset | 565 | — | 191 |
| Assets held for sale | 26,753 | 3,735 | 1,856 |
| | **817,042** | **603,678** | **614,874** |
| **Current liabilities** | | | |
| Trade and other payables | (517,442) | (428,287) | (437,784) |
| Borrowings | (39,895) | (44,149) | (88,414) |
| Lease liabilities | — | (10,084) | (11,406) |
| Premium financing liabilities | (72,072) | (4,341) | — |
| Derivatives | (3,529) | (1,970) | (4,086) |
| Contract liabilities | (15,400) | (26,829) | (27,299) |
| Provisions | (55,361) | (60,651) | (48,947) |
| Current tax liability | — | (130) | — |
| Liabilities held for sale | (1,976) | (1,754) | (589) |
| | **(705,675)** | **(578,195)** | **(618,525)** |
| **Net current assets** | **111,367** | **25,483** | **(3,651)** |
| **Non-current liabilities** | | | |
| Trade and other payables | (21,423) | (11,156) | (12,644) |
| Borrowings | (1,104,457) | (1,091,689) | (1,128,981) |
| Lease liabilities | — | (33,021) | (34,182) |
| Derivatives | (9,603) | (19,730) | (3,543) |
| Deferred tax liability | (1,018) | — | — |
| Contract liabilities | (2,425) | (1,471) | (1,432) |
| Provisions | (31,740) | (14,457) | (14,914) |
| | **(1,170,666)** | **(1,171,524)** | **(1,195,696)** |
| **Net assets** | **101,557** | **87,118** | **63,360** |
| **Capital and reserves attributable to the Group's shareholders** | | | |
| Share capital | 6,826 | 7,331 | 7,425 |
| Share premiums | 674,391 | 740,886 | 751,583 |
| Retained losses | (571,495) | (649,006) | (663,478) |
| Hedging reserves | (5,946) | 1,806 | (461) |
| Non-controlling interest reserve | (2,495) | (7,377) | (22,103) |
| Treasury share reserve | (102) | (11,015) | (11,272) |
| Foreign currency translation reserve | (14) | 304 | 763 |
| Shareholders' equity | **101,165** | **82,929** | **62,457** |
| Non-controlling interest | **392** | **4,189** | **903** |
| **Total equity** | **101,557** | **87,118** | **63,360** |

* Restated: See note above in "*Topco Consolidated Statement of Profit or Loss and other Comprehensive Income.*"

*Topco Consolidated Statement of Cash Flows*

| £ thousands | Year ended December 31, 2018* | Year ended December 31, 2019 | Three months ended March 31, 2019* | Three months ended March 31, 2020 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Net cash inflow/(outflow) from operations | 68,818 | 98,419 | (56,950) | 2,732 |
| Interest paid | (40) | (2) | | |
| Interest received | 516 | 2,003 | 545 | 239 |
| Investment income | 2,106 | 2,657 | 582 | 522 |
| Income from associate | — | — | — | 313 |
| Income from joint venture | 1,200 | 1,400 | 301 | 363 |
| Tax (paid)/received | (528) | 1,090 | 163 | (321) |
| Settlement of forward contracts | (691) | (3,484) | — | (216) |
| **Net cash inflow/(outflow) from operating activities** | **71,381** | **102,083** | **(55,359)** | **3,632** |
| **Cash flows from investing activities** | | | | |
| Acquisition of businesses net of cash acquired | (143,388) | 8,827 | 8,427 | (23,900) |
| Purchase of property, plant and equipment | (2,373) | (4,687) | (969) | (1,434) |
| Proceeds on disposal of property, plant and equipment | — | 3,003 | — | 694 |
| Purchase of intangible fixed assets | (19,735) | (13,284) | (2,360) | (2,807) |
| Purchase of shares in an associate | — | (1,483) | — | — |
| Disposal of associate | 52,828 | 28,699 | — | — |
| Disposal of business | (6,997) | — | 29,102 | — |
| Contingent consideration received | 12,400 | 673 | — | — |
| Contingent consideration paid | (7,310) | (1,712) | — | — |
| Lease incentives received | — | 1,566 | — | — |
| Movement in cash and cash equivalents held for sale | — | — | — | 630 |
| Repayment of lease receivable | — | 519 | — | 94 |
| **Net cash (outflow)/inflow from investing activities** | **(114,575)** | **22,121** | **34,200** | **(26,723)** |
| **Cash flows from financing activities** | | | | |
| Proceeds from new loan notes | 261,256 | — | — | — |
| Proceeds from borrowings | 15,000 | — | — | — |
| Repayment of borrowings | (45,000) | — | — | — |
| Interest paid on borrowings | (79,038) | (95,242) | (43,843) | (47,744) |
| Net proceeds/(repayments) | 72,072 | (67,731) | (14,901) | (4,342) |
| Debt transaction costs | (6,406) | (7,012) | (2,749) | (535) |
| Sundry loans issued | — | (8,347) | — | — |
| Revolving Credit Facility drawdown | — | — | — | 70,000 |
| Interest paid on lease liabilities | — | (6,256) | (2,059) | (1,407) |
| Repayment of lease liabilities (2018: Finance lease liabilities) | (44) | (9,819) | (2,742) | (1,562) |
| Transactions with non-controlling interests | (4,518) | (4,304) | — | (94) |
| Distribution to non-controlling interest | — | — | — | (120) |
| Settlement of shareholder loan notes | (4,867) | (4,589) | — | — |
| Purchase of own shares | (116) | (9,514) | — | (1,541) |
| **Net cash inflow/(outflow) from financing activities** | **208,339** | **(212,814)** | **(66,294)** | **12,655** |
| **Net increase/(decrease) in cash and cash equivalents** | **165,145** | **(88,610)** | **(87,453)** | **(10,436)** |
| Cash and cash equivalents at the beginning of the year | 332,916 | 504,956 | 504,956 | 410,903 |
| Effect of movements in exchanges rates on cash held | 6,895 | (5,443) | (3,618) | 7,219 |
| **Cash and cash equivalents at the end of the year[(1)]** | **504,956** | **410,903** | **413,885** | **407,686** |

* Restated: See note above in "*Topco Consolidated Statement of Profit or Loss and other Comprehensive Income*."

(1) *See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Group Management Presentation of Cash Flow for the three months ended March 31, 2020."*

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of financial condition and results of operations for the periods indicated below set forth the historical consolidated financial and other data of Topco as well as certain other operating data. The historical data and other data have been derived from the Ardonagh Financial Statements and from management accounts.*

*In the Ardonagh 2019 Audited Financial Statements, the consolidated statement of financial position as of December 31, 2018 and the consolidated statements of profit or loss and other comprehensive income and of cash flows for the year ended December 31, 2018, were restated principally to reflect the recognition of a deferred tax asset, and related impact in the tax credit line item, in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. The adjustment increased deferred tax assets and decreased retained losses in the statement of financial position by £32.4 million as of December 31, 2018, and it increased the tax credit in the income statement for the year ended December 31, 2018 by £8.9 million (see note 30 in the Ardonagh 2019 Audited Financial Statements). In addition, in the consolidated statement of financial position as of December 31, 2018 included in the Ardonagh 2019 Audited Financial Statements, we subsumed the share-payment reserve of £0.2 million, which was previously presented separately, within retained losses and reclassified £0.1 million related to the purchase of own shares from retained losses to a treasury shares reserve. Therefore, the consolidated statement of financial position as of December 31, 2018 and the consolidated statements of profit or loss and other comprehensive income and of cash flows for the year ended December 31, 2018 included in this offering memorandum differ from the consolidated statement of financial position as of December 31, 2018 and from the consolidated statements of profit or loss and other comprehensive income and of cash flows for the year ended December 31, 2018 included in the Ardonagh 2018 Audited Financial Statements. The Ardonagh 2018 Audited Financial Statements, together with Deloitte LLP's audit report thereon, should be read in the context of the Ardonagh 2019 Audited Financial Statements, which present these subsequent restatements, together with Deloitte LLP's audit report thereon.*

*Similarly, the unaudited interim condensed consolidated statements of profit or loss and other comprehensive income and of cash flows for the three months period ended March 31, 2019, included in the Ardonagh Q1 2020 Unaudited Interim Financial Statements, have been restated to reflect (i) the impact of the deferred tax asset described in the paragraph above which increased deferred tax assets and decreased retained losses in the statement of financial position by £34.7 million as of March 31, 2019 and increased the tax credit in the income statement for the three months ended March 31, 2019 by £2.3 million and (ii) the reclassification of the item "derecognition of assets following a sale of business" presented in the amount of £0.8 million to "depreciation, amortization and impairment of non-financial assets" in the unaudited condensed interim consolidated statement of profit or loss and other comprehensive income. Therefore, the unaudited condensed interim consolidated statements of profit or loss and other comprehensive income and of cash flows for the three months period ended March 31, 2019, included in the Ardonagh Q1 2020 Unaudited Interim Financial Statements included in this offering memorandum differ from the unaudited condensed interim consolidated statements of profit or loss and other comprehensive income and of cash flows for the three months period ended March 31, 2019, included in the Ardonagh Q1 2019 Unaudited Interim Financial Statements.*

*The following should be read in conjunction with "Presentation of Financial Information," "Summary—Summary Historical Financial Information and Other Data," "Selected Historical Financial Information and Other Data" and the Ardonagh Financial Statements and the related notes thereto, which are included elsewhere in this offering memorandum. The information below is not necessarily indicative of our future results of operations. The following discussion contains forward-looking statements that reflect our plans and estimates and our beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this offering memorandum particularly in the sections entitled "Risk Factors" and "Forward-Looking Statements."*

### Overview

We are the largest independent insurance broker in the United Kingdom and amongst the largest globally (as ranked by total income), providing a full range of insurance products and services across commercial, personal and wholesale insurance markets. We serve a wide range of clients that include large corporations, small and medium enterprises ("**SMEs**"), individual consumers, and other third-party brokers and managing general agents ("**MGAs**"). We work with insurers to design, price, and administer insurance-related products and services that meet a wide variety of market needs, without assuming any underwriting or principal risk. For the twelve months ended March 31, 2020, we generated Total Income Pro Forma for Completed Transactions of £673.9 million and Pro Forma Adjusted EBITDA of £222.2 million. Including the acquisitions of Arachas, Bravo and Bennetts, we would have generated Total Pro Forma Income of £814.2 million and Total Pro Forma Adjusted EBITDA of £275.5 million. See "*Summary Historical Financial Information and Other Data.*"

The Ardonagh Group was created in June 2017 by assembling a highly experienced senior management team and by combining a number of market-leading insurance service providers into a single multi-product and multi-channel platform. Since our creation, we have continued to build our platform through a combination of a sustained focus on organic growth (3.5% for the year ended December 31, 2017, 2.5% for the year ended December 31, 2018, 3.0% for the year ended December 31, 2019 and 3.5% excluding Swinton (4.5% excluding Swinton and the estimated impact of COVID-19) for the three months ended March 31, 2020), a highly disciplined expense strategy (£82.4 million of cost-savings realized since inception, £10.7 million expected in the next twelve months from actions already implemented, and £19.7 million expected from actions that will be implemented over the next twelve months), and a selective acquisition program (sixteen acquisitions since the formation of Ardonagh including the pending acquisitions of Arachas, Bravo and Bennetts), which includes a standardized approach to integration and synergy delivery. Arachas is the leading independent commercial insurance distribution platform in the Republic of Ireland, Bravo is the UK's largest network of independent insurance brokers and a leading consolidator in the UK insurance market, and Bennetts is a leading brand in the motorcycle insurance market.

Our insurance products, which we distribute across multiple channels, are tailored to serve our diverse customer base, ranging from higher value and lower volume bespoke corporate insurance products placed in the London Market, to lower value and higher volume personal lines insurance products distributed through price comparison websites ("**PCWs**"). Each aspect of our business is highly diversified with limited concentration or dependence on any single product, channel, carrier, income producer, or supplier. We combine this diversified operating model with a highly collaborative culture across the Group to provide our clients, carriers, and employees with a best-in-class product and service offering.

### Significant Factors Affecting Results of Operations

Our business and results of operations have been affected by certain key factors in the past and we expect these key factors to affect our business in the future. Each of these additional factors is discussed in more detail below.

#### *COVID-19*

Although the scale and ultimate impact of the COVID-19 pandemic remains unknown, we have put in place a range of plans to prepare for potential outcomes for our businesses and to support clients and customers through this sustained period of uncertainty, while protecting the health and safety of our colleagues and other stakeholders. Our past investments in infrastructure have allowed us to rapidly adapt operationally while maintaining high customer service levels. As part of our response, we have implemented remote working for colleagues wherever possible, have increased the utilization of technology for client interaction and internal meetings, have avoided travel within our UK office network, and have followed guidance from Public Health England. Our past investments in infrastructure have also allowed us to improve customer experience with webchat and self-service portals, while enhancing our servicing and processing with the adoption of automation and artificial intelligence and machine learning to simplify and accelerate end-to-end transactions, and digital trading platforms. Additionally, our senior management-led working groups and local leadership teams are working collaboratively to ensure operational resilience and the provision of business-critical services, with preparations in progress to introduce additional measures as the situation evolves.

We believe that we have experienced limited financial impact to date from COVID-19. Our diversified income base has helped insulate us from significant financial impact, as the most highly affected sectors such as travel, leisure and hospitality and oil and gas industries (including both upstream and downstream activities) only represent an estimated 3.5% and an estimated 1%, respectively, of our Total Income. We expect business activity to increase as the UK lock-down in response to the COVID-19 pandemic eases, and as businesses, schools and offices reopen and car, truck and van usage begins to return to pre-COVID-19 levels.

While it is too early to assess whether the economic downturn that is likely to follow from the COVID-19 pandemic will have a material impact on our growth in 2020 and beyond, we believe the impact of COVID-19 on our results of operations to date relates predominantly to the temporary lock-down measures in the UK. We, however, cannot predict the degree to which, or the time period over which, our business will be affected by this pandemic and its impact on the economic conditions in the UK or globally. See "*Risk Factors—Risks Related to Our Business and Industry—Our business may be adversely affected by a decline in economic conditions in the United Kingdom or globally and by other market risks, including the COVID-19 pandemic and Brexit.*"

***Acquisitions and Disposals***

On June 22, 2017, we completed the 2017 Acquisitions, which brought together Towergate, Price Forbes, Autonet, Chase Templeton and URIS Group (formerly Direct Group) to form The Ardonagh Group. Subsequent to the 2017 Acquisitions, we have completed numerous acquisitions and two disposals, and we intend to continue to pursue further strategic and financially accretive acquisitions of businesses, assets or insurance books when opportunities exist and fit with our corporate culture and overall strategy.

On August 1, 2017, we completed the acquisition of the US Binders business and assets and on September 1, 2017, we completed the acquisition of Healthy Pets Limited, a specialist pet insurance broker. On December 20, 2017, we completed the purchase of Carole Nash Insurance Consultants Limited, a leading motorbike insurance broker in the United Kingdom, and Mastercover Insurance Consultants Limited, a specialist SME broker. In February 2018, we purchased business and assets from Haven Insurance Brokers Limited and acquired the right to renew insurance policies for a number of insurance product lines. In March 2018, we completed the purchase of business and assets from The Trust Insurance Group Limited. On December 31, 2018 we completed the acquisition of Swinton, one of the largest personal lines insurance brokers in the UK, with a well-recognized, heritage consumer brand. On January 31, 2019 we completed the acquisition of Nevada 2 , the holding company for the Minton House Group, Professional Fee Protection and Health and Protection Solutions, three highly accretive and niche brands. On January 31, 2020, we purchased the business and assets of an Education Staff Absence Insurance Book from Integro Insurance Brokers Limited. On February 28, 2020, we purchased certain business and assets held by Rural. On April 24, 2020, we purchased the entire issued share capital of Edwards & Swan Insurance Limited.

On January 19, 2018, we sold our 19.9% shareholding in Bravo to Nevada 2, which was then a related party due to common shareholders. Nevada 2 subsequently sold its shares in Bravo and its rights and obligations under the sale and purchase agreement to Nevada 4, a related party due to common shareholders. See "*Related Party Transactions—Bravo*." On October 16, 2018, we completed the sale of the URIS Group's (formerly Direct Group) claims business to Davies Group Limited. On January 1, 2019, we completed our disposal of our Commercial MGA business to Arch Insurance Company (Europe) Limited.

The results of each of these acquisitions and disposals are included in the Ardonagh Financial Statements from the date the relevant transaction was completed. See "*—Significant Factors Affecting Comparability Between Periods—Historic Acquisitions and Disposals—Acquisitions*."

As part of the Transactions, on February 14, 2020, we entered into the Bennetts Acquisition Agreement with Saga Services Limited to acquire Bennetts for a purchase price of £26.0 million, subject to any post-closing adjustments. We intend to finance the Bennetts Acquisition with proceeds from the Term Facility and the proceeds from the Offering. Completion of the transaction is subject to regulatory and competition approval and other customary closing conditions. If these conditions are not satisfied on or prior to the July 31, 2020 longstop date, the Bennetts Acquisition Agreement may be terminated.

In we entered into the Arachas Acquisition Agreement with funds managed by our shareholder, MDP, to acquire Nevada 5 TopCo which is the holding company of Arachas. In the we also entered into the Bravo Acquisition Agreement with funds managed by HPS and MDP to acquire Nevada 4, which is the holding company of Bravo. Prior to the Bravo Acquisition, Bravo completed certain acquisitions of its own, and in connection therewith, some of the managers of the businesses acquired by Bravo have certain performance-related earn-out rights.

As a general matter, following an acquisition of a business or group of assets, our results of operations are impacted by the results of the newly acquired business or operations, the purchase accounting for the acquisition, any debt incurred to acquire the business or operations and expenditures made to integrate the newly acquired business or operations. See also "*—Business Transformation and Synergies*" below. We incur certain costs and expenses in connection with any potential or completed acquisition. We have adjusted for certain acquisition-related costs in our Adjusted EBITDA. See footnote 6 in "*Summary Historical Financial Information and Other Data—Other Consolidated Financial and Pro Forma Data.*"

### *Insurance Cycle*

The general insurance cycle is an insurance market phenomenon that is driven by supply of and demand for insurance and can be particularly pronounced in reinsurance and industrial lines insurance. The insurance market cycle is defined as "softening" and "hardening." "Soft" periods are characterized by falling or stagnant premium rates and are driven normally by excessive supply of capital from insurance companies and other market participants competing for available business. Soft markets on average result in low profitability for the insurers and as a result lower commissions for brokers. "Hard" periods can be precipitated by catastrophes, such as natural disasters, or similar significant losses, for example, severe credit market losses, that result in insurers' capital becoming depleted or some insurers no longer being able to participate in the market. The lack of capital and decreased competition drives up premium rates, thereby the potential for greater profitability for the remaining insurers. Additionally, catastrophes or similar significant losses may also precipitate increased customer demand for insurance policies, driving demand for capital and further hardening the market.

### *Commission and Fees*

As an insurance intermediary, we derive our revenue primarily from commission and fees. Our commission income is generally based on insurance premiums and negotiated commission rates, and fees are paid for claims administration or other individual services based on negotiated amounts. We derive a small portion of our commission income from profit commission agreements with our insurers. Profit commissions are typically dependent upon the underwriting profitability of the business placed with the insurer, which is a function of premiums earned less commission paid, claims costs, insurer expenses and the target financial returns for the insurer. We are less able to forecast profit commissions than premium based commissions due to the link with variable insurance events and the inherent volatility this brings. See "*Risk Factors—Risks Related to Our Business and Industry—Volatility or declines in premiums, declines in commission rates or increases in applicable premium taxes may seriously undermine our business and results of operations.*" Furthermore, catastrophic events, whether natural or otherwise, can have a significant effect on the number and value of claims being made, and therefore a significant effect on the profitability of the business we place with the insurance company. Changes in profit commissions are largely attributable to economic and market conditions that are outside of our control and that affect premium prices and lead to increases or decreases in overall claims.

We also offer customers access to premium finance providers for a fee. In addition, Nevada 4 is a lender under facility arrangements whereby it provides funding to a premium finance provider. A premium finance provider covers the upfront costs of insurance premiums and bills the individual or company in installments to recover the insurance premium cost.

### *Business Generation and Transformational Hires*

We have invested significantly in recruiting talent to the insurance broking and health insurance businesses within our Ardonagh Advisory platform. Our Ardonagh Specialty platform, through its Specialty & International operating segment has invested in new hires to increase penetration in new markets, with success demonstrated in Professional Indemnity, North American Binders, US Healthcare, Bermuda reinsurance and Renewables, as well as development into new markets across the Middle East and Asia. Our investments in new hires often result in losses in the early years while they build up our client base. Costs associated with transformational hires include recruitment costs, sign-on bonuses, cost of retention, and salary costs while hires are under restrictive non-compete covenants or are impacted by insurer capacity restrictions. Our Ardonagh Specialty Platform, through its MGA operating segment and in particular its London-based Geo Specialty business, has also established a footprint in a number of niche and specialty markets, including Political Violence, International Property and High Risk Liability.

### *Business Transformation and Synergies*

In 2015, our shareholders and management team instituted a program to improve Towergate's corporate structure, restore market presence by improving relationships with key insurer partners, transform Towergate's operational capacity with a thorough IT and systems overhaul and address regulatory and legacy issues. The program initiatives, together with ongoing synergies and cost-saving targets, have had a significant impact on our results of operations. Annualized cost savings and synergies are comprised of (i) advisory platform cost savings and synergies, (ii) retail platform cost savings and synergies, (iii) specialty platform cost savings and synergies and (iv) corporate segment cost savings and synergies.

We have a strong track record of delivering cost down plans and synergies. Our pro forma cost savings adjustments of £34.0 million as of December 31, 2019 were reduced to £30.4 million as of March 31, 2020 as savings were delivered. £5.3 million in cost savings were delivered in the three months ended March 31, 2020, primarily driven by (i) benefits from headcount savings implemented during 2019 as part of back-office de-centralization and rationalization; (ii) third-party IT support savings implemented in 2019; (iii) advisory operational efficiencies, staff savings and synergies and (iv) specialty operating structure and process efficiencies.

Our annualized cost savings and synergies for the twelve months ended March 31, 2020 are described in the table below:

| | Actions already taken | | Planned actions | |
|---|---|---|---|---|
| **Advisory** | Annualization of benefits from Acturis implementation, property rationalization, business integrations and support function simplification, benefits from final completion of original Towergate Transformation program | £2.5 million | Benefits from further business integration, management and back office savings | £2.2 million |
| **Retail** | Retail platform cost savings and synergies: Annualization and completion of support function rationalization in Schemes & Programmes, third party vendor savings in Paymentshield, annualization optimization of cost base across the Retail operating segment | £3.6 million | Continued optimization of cost base across the retail operating segment—Autonet, Carole Nash, Swinton, annualization of benefits from Swinton branch closures and integration with Autonet, further benefits from integration of Paymentshield and Schemes & Programmes retail business with Autonet, Carole Nash and Swinton | £6.2 million |
| **Specialty** | Specialty platform cost savings and synergies: Annualization of cost savings from right-sizing the MGA expense base following the Commercial MGA disposal, annualization of Specialty back-office savings from business-wide efficiency program | £1.7 million | Operational excellence program focused on digital transformation, reduced admin and back-office staff costs, central procurement savings and rationalization of underperforming teams, plus cost synergies from integration of Rural acquisition | £10.6 million |
| **Corporate** | Annualization of staff savings across central support functions and property footprint rationalization, annualization of benefits from final completion of original Towergate Transformation program | £2.9 million | Third party support cost savings | £0.7 million |
| **Total** | | £10.7 million | | £19.7 million |

***Regulatory Compliance and Costs***

Our businesses are authorized and regulated by the FCA and firms in our industry must maintain regulatory authorization. Our insurance intermediary activities must comply with FCA rules and guidelines that impose, among other things, a high-level standard on the establishment and maintenance of proper systems and controls and minimum threshold conditions that must be satisfied for an insurance broking firm to remain authorized as well as rules on the conduct of business and treating customers fairly (the "**FCA Rules**"). The FCA Rules impose minimum "threshold conditions" that must be satisfied as well as robust standards for the establishment and maintenance of proper systems and controls, notably for the conduct of business and the fair treatment of customers. We incur costs to comply with the changing regulatory landscape. The FCA Rules also impose upon us certain minimum capital and liquidity requirements. See "*Risk Factors—Risk Factors Related to Our Business and Industry—If we fail to comply with regulatory requirements or guidelines, we may not be able to conduct business or may be subject to sanctions or substantial fines that may have a material adverse effect on our reputation, results of operations and financial condition*."

Some of our subsidiaries have obligations to make redress payments in respect of historic pension transfer advice known as enhanced transfer value, or "**ETV**." The ETV business ceased in 2014 and the relevant subsidiaries ceased trading in March 2015. The FCA published revised guidance on the calculation of redress and file review commenced in the autumn of 2017. Our redress program began in the third quarter of 2019 and the estimate for the overall cost of redress was increased to £63.5 million as of December 31, 2019 from an initial estimate of £51.0 million as of December 31, 2018. This estimate remains unchanged as of March 31, 2020, based on the settlement experience and additional case reviews progressing to settlement during the second quarter of 2020. As of December 31, 2019, £15.9 million worth of redress payments had been paid, with an additional £9.1 million worth of payments made in the three months ended March 31, 2020. In total, £25.0 million worth of redress payments had been made as of March 31, 2020, reducing the remaining provision for redress payments to £38.5 million as of the same date. For further information, see note 31 to the Ardonagh 2019 Audited Financial Statements and note 22 to the Ardonagh Q1 2020 Unaudited Interim Financial Statements. As of April 30, 2020, £26.9 million worth of redress payments had been made, leaving an estimated remaining liability of £36.6 million as of April 30, 2020.

### *Currency Fluctuations and Hedging*

While the majority of our business is conducted in the United Kingdom, the Ardonagh Specialty platform operates globally and as a result, exposes us to fluctuations in currency exchange rates. A significant amount of our Ardonagh Specialty income is denominated in U.S. dollars although segment costs are incurred substantially in pound sterling. If we are unable to match brokerage and fees received in foreign currencies with costs paid in the same currency, results of operations may be affected by currency exchange rate fluctuations.

Furthermore, as we present our consolidated financial statements in pound sterling, we are required to translate the assets, liabilities, income and expenses of all operations that use a functional currency other than pound sterling, such as U.S. dollars. We translate into pound sterling at then-applicable exchange rates, exposing us to translation risk (i.e., the risk that exchange rates will impact the value of our income, assets, liabilities and expenses reported in pound sterling even if the value has not changed in U.S. dollars) should the pound sterling strengthen against the U.S. dollar. We will be exposed to additional translation risk following the acquisition of Arachas, as we will be required to translate the assets, liabilities, income and expenses from Euros into pound sterling. Currency translations could significantly affect the comparability of our results between financial periods and could result in significant changes to the carrying value of assets, liabilities and shareholders' equity.

Most of our operating segments have negligible foreign currency revenues, with Specialty & International being the exception for which hedging is in place at Price Forbes and Bishopsgate in respect of about 90% of budget 2020 USD revenue and about 80% of budget 2021 USD revenue. We also plan to hedge the proceeds from the Notes and the Term Facility to the extent drawn in a currency other than sterling. Following the Arachas Acquisition, we plan to hedge our exposure to the Euro translation risk arising from Arachas.

### *Seasonality*

We experience some seasonality in the volumes of insurance policies we place and, consequently, in our commission and fees. Like many of our competitors, we have historically transacted less business from November to February than in other months. Accordingly, commission and fees for the first and fourth quarter tend to be slightly lower than the second and third quarter.

A portion of our Ardonagh Retail platform is also characterized by highly seasonal revenue as a consequence of traditional policy renewal patterns across the various lines of business. For example, our Carole Nash business experiences seasonality resulting from fewer motorbikes being sold during the winter months and as a consequence fewer motorbike insurance policies are placed during the same periods.

### Significant Factors Affecting Comparability Between Periods

***Historic Acquisitions and Disposals***

*Acquisitions*

On June 22, 2017, we completed the 2017 Acquisitions, which brought together Towergate, Price Forbes, Autonet, Chase Templeton and URIS Group (formerly Direct Group) to form The Ardonagh Group. Subsequent to the 2017 Acquisitions, we have completed numerous acquisitions and two disposals, and we intend to continue to pursue further strategic and financially accretive acquisitions of businesses, assets or insurance books when and where opportunities exist and fit with our corporate culture and overall strategy. See "*Risk Factors—Risks Related to Our Business and Industry—Our selective acquisition and disposal strategy exposes us to risks, including the risk that we may not be able to successfully integrate acquired businesses or that acquisitions may have liabilities that we are not aware of and may not be as profitable as we may have expected them to be and that disposals may not have the impact on results of operations that we expected them to have*."

On August 1, 2017, we completed the acquisition of the US Binders business and assets and on September 1, 2017, we completed the acquisition of Healthy Pets Limited, a specialist pet insurance broker. On December 20, 2017, we completed the purchase of Carole Nash Insurance Consultants Limited, a leading motorbike insurance broker in the United Kingdom, and Mastercover Insurance Consultants Limited, a specialist SME broker.

In February 2018, we purchased business and assets from Haven Insurance Brokers Limited and acquired the right to renew insurance policies for a number of insurance product lines. In March 2018, we completed the purchase of business and assets from The Trust Insurance Group Limited. On December 31, 2018 we completed the acquisition of Swinton, one of the largest personal lines insurance brokers in the UK, with a well-recognized, heritage consumer brand.

On January 31, 2019, we completed the acquisition of Nevada 2 , the holding company for the Minton House Group, Professional Fee Protection and Health and Protection Solutions, three highly accretive and niche brands. On January 31, 2020, we purchased the business and assets of an Education Staff Absence Insurance Book from Integro Insurance Brokers Limited. On February 28, 2020, we purchased certain business and assets held by Rural Insurance business. On April 24, 2020, we purchased the entire issued share capital of Edwards & Swan Insurance Limited. On February 14, 2020, we entered into the Bennetts Acquisition Agreement with Saga Services Limited to acquire Bennetts. Completion of the transaction is subject to regulatory approval, which remains pending as of the date of this offering memorandum.

As a general matter, following an acquisition of a business or group of assets, our results of operations are impacted by the results of the newly acquired business or operations, the purchase accounting for the acquisition, any debt incurred to acquire the business or operations and expenditures made to integrate the newly acquired business or operations which also affects the comparability of our results with the previous period. In addition to increasing our income through increasing our commission and fees, we incur certain costs and expenses in connection with any potential or completed acquisition.

*Disposals*

On January 19, 2018, in consideration for the sale of our 19.9% shareholding in Bravo, we received £30.0 million cash from Nevada 2, which was then a related party due to common shareholders. See "*Related Party Transactions—Bravo*." The sale is subject to a clawback clause that was recognized as a deferred proceeds payable financial liability of £15.0 million as of December 31, 2019. On May 18, 2020, the Ardonagh Group and Nevada 4 boards amended their agreement such that the clawback amount was agreed to be £15.0 million and to be settled in exchange for a fixed number of shares in the Ardonagh Group, on or before September 30, 2020 and at our election. For further information, see note 20 of the Ardonagh March 31, 2020 Unaudited Financial Statements. For further information, see notes 18 and 27 of the Ardonagh 2019 Audited Financial Statements. On January 1, 2019, we disposed of our Commercial MGA business to Arch Insurance Company (Europe) Limited for £31.5 million, of which £30.0 million represented the initial consideration for the sale.

***Financing***

*Debt transactions*

On June 22, 2017, we completed the 2017 Acquisitions and used the proceeds from the issuance of the Issuer's £400.0 million of sterling-denominated senior secured notes and $520.0 million dollar-denominated senior secured notes to fund the purchase price thereof, to repay existing debt and as partial payment for costs incurred in relation to the 2017 Transactions. On December 20, 2017, we issued £55.0 million of additional sterling-denominated senior secured notes under the Indenture in part to fund the consideration for the acquisition of Carole Nash, and in June 2018, we issued a further £98.3 million of additional sterling-denominated senior secured notes under the Indenture in part to redeem the existing indebtedness under the Existing Revolving Credit Facility. On November 19, 2018, the Issuer issued USD $235.0 million Mirror Notes to fund the Swinton Acquisition.

In connection with the 2017 Transactions, we entered into or acceded to an Existing Revolving Credit Facility Agreement originally dated May 25, 2017 which provided us with the Existing Revolving Credit Facility, subject to the amendments made on September 26, 2018 (as specified below), in the amount of £120.0 million. On September 26, 2018, the Existing Revolving Credit Facility Agreement was further amended and restated to include an additional £50.0 million ancillary facility (the "**LC Facility**") in order to provide credit support in respect of potential redress liabilities relating to the sale of certain ETV products by Towergate Financial, which we disposed of in 2015. See "*Business—Legal Proceedings.*" In March 2020, to account for the growth of our business, our Existing Revolving Credit Facility was extended from £120.0 million to £170.0 million, of which £70.0 million was drawn as of March 31, 2020.

We expect that the Senior Secured Credit Facilities Agreement will provide us with access to the New Revolving Credit Facility of £171.5 million and the CAR Facility of £300.0 million. See "*Description of Other Indebtedness and Financing Arrangements—The Senior Secured Credit Facilities Agreement.*" We intend to cancel the Existing Revolving Credit Facility when we enter into the New Revolving Credit Facility. The LC Facility will be replaced by a new LC facility in the same amount.

*Equity transactions*

In January 2017, we offered a £40.0 million rights issue to existing shareholders. In the period between the launch of the offer and completion of the rights issue, Finco issued £25.0 million of convertible debt to MDP. The rights issue was subsequently subscribed for in its entirety by MDP and one non-controlling interest and was satisfied in part by the conversion of the previously issued debt to equity with the balance satisfied in cash. See "*Related Party Transactions—Rights Issue.*"

As consideration for the purchase of the majority shareholder of Price Forbes Investment Holdings Limited and Autonet Insurance Services Limited and in connection with the 2017 Transactions, in June 2017, we also issued £257.0 million of convertible equity certificates to entities controlled by MDP and HPS. We made a catch up offering of convertible equity certificates to all shareholders in accordance with our shareholder's deed on June 22, 2017, resulting in cash proceeds to The Ardonagh Group of £22.0 million from minority shareholders. All convertible equity certificates were converted to ordinary shares in Topco on September 20, 2017.

In January 2019, we acquired Nevada 2 from HPS and MDP who are our majority shareholders for consideration of £67.0 million principal amount of Convertible Equity Certificates of £0.01 each. The Convertible Equity Certificates were converted to 50,489,826 ordinary shares in the Company on May 1, 2019. Nevada 2 was the indirect holding company of Minton House Group Limited, Health and Protection Solutions Limited and Professional Fee Protection Limited on January 31, 2019.

In 2019, we also purchased from non-controlling interests 33,610 B shares of Ardonagh Specialty Holdings Limited, which have no voting rights or rights to dividends, for a consideration of £4.9 million, of which £1.6 million was paid in the year. In 2019, we also purchased from non-controlling interests the remaining 15,634 B shares (representing 0.19% of the interest) of Price Forbes Holdings Limited, for a nominal consideration. The effect on equity attributable to the owners of Price Forbes Holdings Limited during the year is a reduction in the carrying amount of non-controlling interest of £0.1 million and an increase in controlling interest reserve within equity of £0.1 million. During the first quarter of 2020, we purchased from non-controlling interests A shares in Atlanta Investment Holdings 3 Limited ("**Atlanta**"), representing 10.8% of the total A and B ordinary shares in Atlanta. The shares were purchased for a consideration of £8.0 million in cash (advanced in the fourth quarter of 2019) and 9,355,019 ordinary shares in The Ardonagh Group Limited. Following the purchase, we increased our holding in Atlanta from 80.9% to 91.7%.

From time to time, we may consider buying back equity and minority interests as and when market opportunities and our liquidity position are aligned with our business strategy.

***Reporting segments***

Under IFRS 8 'Operating Segments', we determine operating segments based on the information that is provided to the Group Executive Committee, which is the Group's chief operating decision maker, and it aggregates its operating segments into reportable segments where aggregation provides useful information to the users of the financial statements and where the operating segments have similar characteristics. Segments are reviewed and revised as necessary following structural changes within the Group or acquisitions of new companies.

Prior to the 2017 Transactions, each of Towergate, Autonet, Price Forbes, URIS Group (formerly Direct Group) and Chase Templeton reported separately. From June 22, 2017 to March 31, 2020, we redefined our operating segments three times in accordance with the needs of the expanding business and the new acquisitions. Recently, we maintained our six operating segments (and the Corporate non-operating segment) but we aggregated them into three platforms to describe our business and these platforms also constitute reportable segments in our financial statements.

In the three months ended March 31, 2020, we revised the presentation of our reportable segments and restated the comparative segment information to reflect the new structure. Currently, the three platforms, representing our reportable segments, comprise: Ardonagh Advisory, Ardonagh Retail and Ardonagh Specialty. Ardonagh Advisory is a reportable segment comprised of four operating segments: Towergate Insurance Brokers, Riskline, Health and Protection and Footman James. Ardonagh Retail is a reportable segment comprised of three operating segments: Retail, Paymentshield and Schemes & Programmes. Ardonagh Specialty is a reportable segment comprised of two operating segments: Specialty & International and MGA. We also maintain Corporate, a non-operating segment comprised of central costs and income not allocated to the operating segments. In this offering memorandum, we have modified the presentation of our reportable segments for the years ended December 31, 2019 and 2018 to make it consistent with the current presentation as we believe it provides useful information on a comparative basis.

The periodic re-organization of our segments reflects our ongoing business at the relevant time and impacts the comparability of segmental financial information as the underlying inputs will be reallocated based on the revised segmentation.

## Significant Accounting Policies

***IFRS 16: Leases***

IFRS 16 'Leases' sets out the principles for the recognition, measurement and presentation of leases, for both lessees and lessors. IFRS 16 superseded IAS 17 'Leases' and several related interpretations when it became effective on January 1, 2019. The date of our initial application of IFRS 16 was January 1, 2019 and so IFRS 16 applies for accounting periods beginning on or after that date.

*The definition of a lease*

IFRS 16 distinguishes between leases and service contracts on the basis of whether there is control of the use of an identified asset. Control is considered to exist if there is:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

We apply the practical expedient in IFRS 16 not to separate non-lease components from lease components, and instead accounts for each lease component and any associated non-lease components as a single lease component.

*Lessee Accounting*

A right-of-use asset and lease liability are recognized in the balance sheet. The lease liability is measured at the present value of future lease payments, excluding variable lease payments that do not depend on an index or a rate. The right-of-use asset for a particular lease is usually similar in amount to the corresponding lease liability on inception of the lease, but their carrying amounts diverge through the life of the lease as the asset is depreciated on a straight-line basis whereas interest arises on the lease liability and so is higher in earlier years.

We elect on a lease-by-lease basis whether to recognize a right-of-use asset and a lease liability for leases of low-value assets. Where an election is made to not recognize a right-of-use asset and a lease liability for these leases, the lease payments are instead expensed on a straight-line basis over the lease term.

Depreciation of the right-of-use assets is presented within 'depreciation and amortization charges' in profit or loss. Interest expense on the lease liabilities is presented within 'finance costs'. Lease expenses for leases of low-value assets are presented within 'other operating costs'. Variable lease payments are generally expensed as incurred and presented within 'other operating costs'.

Lease payments are classified as financing cash flows, distinguishing between the principal and interest portions of the lease liability, except in relation to lease payments of low-value assets and variable lease payments that are presented as operating cash flows.

The impact for lessees on IAS 17 lease classifications is as follows:

*Finance leases*:

Finance leases in place at December 31, 2018 were reclassified from property, plant and equipment to right-of-use assets and from obligations under finance leases to lease liabilities.

*Operating leases*:

A right-of-use asset and lease liability were brought on to the balance sheet (except for certain leases of low value assets). Depreciation and interest replace the IAS 17 rental charge (which was included in 'other operating costs'). Lease payments are classified as financing cash flows (except for certain leases of low value assets, and variable lease payments) instead of 'operating cash flows'.

Areas of management judgement relate to the accounting for lease extension and termination options (considered on a case by case basis), whether contracts with suppliers contain a lease, and the discount rate used to measure the lease liability.

*Lessor Accounting*

We do not undertake arrangements as a lessor other than as a sublessor. Lessor accounting as required by IFRS 16 is substantively unchanged from that required by IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those in IAS 17. However, a sublessor classifies the sublease by reference to the right-of-use asset arising from the head lease rather than by reference to the underlying asset, such that subleases are more likely to be classified as finance leases. Sublessor arrangements are not material to us.

*Transition*

We adopted IFRS 16 by applying the modified retrospective approach, which requires the cumulative effect of initial application of IFRS 16 to be recognized as an adjustment to the opening balance of retained earnings on January 1, 2019, the date of initial application, without restating prior years.

We applied the following practical expedients on January 1, 2019, the date of initial application of IFRS 16:

- The right-of-use asset was recognized at an amount equal to the lease liability at the date of initial application, adjusted by the amount in the statement of financial position immediately before the date of initial application for any prepaid or accrued lease payments;
- A single discount rate was used for a portfolio of leases with reasonably similar characteristics, in particular for property leases in the same lease term grouping;
- The right-of-use asset corresponding to existing operating leases was, as an alternative to performing an impairment review, reduced by the amount of the related onerous lease provisions immediately before the date of initial application;
- Initial direct costs were excluded from the measurement of the right-of-use asset; and
- Hindsight was used, in particular in determining the lease term for arrangements with options to extend or terminate the lease.

For more information, see note 3 to the Ardonagh 2019 Audited Financial Statements and "*Presentation of Financial Information—The Ardonagh Group Limited*."

## Factors Affecting Future Results of Operations

### *The Transactions*

We will issue the Notes on the Issue Date, which will increase our interest expense as compared to prior periods. The financing costs related to the issuance of the Notes will be amortized over the life of the Notes. We intend to use the proceeds of the Offering (i) to fund the Existing Notes Redemption; (ii) to repay drawn amounts under the Existing Revolving Credit Facility Agreement; (iii) to fund the Arachas Acquisition, the Bravo Acquisition and the Bennetts Acquisition; (iv) to pay the fees and expenses incurred in connection with the Transactions, including fees and expenses incurred in connection with the Offering and redemption costs incurred in connection with the Existing Notes Redemption; and (v) for general corporate purposes. See "*Use of Proceeds*" and "*Capitalization*."

## Key Income Statement Items

Below is a summary description of the key elements of the line items of the Ardonagh 2019 Audited Financial Statements and of the Ardonagh Q1 2020 Unaudited Financial Statements, which were prepared in accordance with IFRS, and of the other non-IFRS, financial data published alongside those financial statements. See "*Presentation of Financial and Other Information.*"

### *Commission and fees*

Commission and fees represent commission and fees receivable by the Group, consisting of commissions for insurance broking and intermediation and for profit-sharing arrangements, and of fees for claims administration and the provision of payment instalment plans and other contingent and non-contingent trading deals with third parties which are recognized when the associated performance obligations are satisfied.

### *Salaries and associated costs*

Salaries and associated costs primarily represent wages and salaries as well as social security costs and other pension costs.

### *Other operating costs*

Other operating costs primarily represent business generation costs, business transformation costs, legacy costs, costs of certain regulatory matters and related redress payments, and costs related to acquisitions and refinancing.

### *Depreciation and amortization charges*

Depreciation and amortization charges represent the depreciation of tangible assets and right-of-use assets, and the amortization of intangible assets.

### *Finance income and finance costs*

Finance income represents interest income, dividend income, and the reclassification from other comprehensive income of net gains on cross currency swaps to which hedge accounting has been applied. Finance costs represents interest expense, unwind of discount on provisions, unwind of discount on financial liabilities, and the reclassification from other comprehensive income of net losses on cross currency swaps to which hedge accounting has been applied.

### *Adjusted EBITDA*

Adjusted EBITDA represents loss for the period, before finance costs, income tax credit, depreciation and amortization and impairment of non-financial assets charges, adjustment to goodwill in respect of prior years, fair value gain or loss on derivatives, loss from disposal of assets, foreign exchange movements, transformational hires costs, business transformation costs, legacy and other costs, regulatory costs, acquisition and financing costs, adjustment to gain on disposal of associate and gain on disposal of business. See "*Summary Historical Financial Information and Other Data—Other Consolidated Financial and Pro Forma Data.*"

### Results of Operations

The following table sets forth our consolidated statement of profit or loss and other comprehensive income for the years ended December 31, 2018 and December 31, 2019 and for the three months ended March 31, 2019 and March 31, 2020.

| **£ thousands** | **Year ended December 31,** | | **Three months ended March 31,** | |
|---|---|---|---|---|
| | **2018*** | **2019** | **2019*** | **2020** |
| Commission and fees | 521,901 | 640,662 | 151,920 | 155,219 |
| Other income | 2,572 | 22,168 | 4,503 | 4,087 |
| Investment income | 2,106 | 2,657 | 582 | 522 |
| Salaries and associated costs | (291,372) | (321,556) | (78,141) | (75,113) |
| Other operating costs | (211,211) | (231,655) | (53,484) | (48,095) |
| Impairment of financial assets | (5,061) | (14,465) | (2,095) | (2,081) |
| Depreciation, amortization and impairment of non-financial assets | (71,284) | (95,713) | (24,826) | (21,796) |
| Adjustment to goodwill in respect of prior years | (3,095) | — | — | — |
| Fair value gain/(loss) on derivatives | 2,485 | (604) | (593) | — |
| Share of profit from joint venture | 1,777 | 1,680 | 452 | 372 |
| Share of profit from associate | — | 217 | — | 108 |
| **Operating (loss)/profit** | **(51,182)** | **3,391** | **(1,682)** | **13,223** |
| Adjustment to gain on disposal of associate | 7,482 | 1,750 | — | — |
| Gain on disposal of business | 19 | 2,244 | 2,572 | — |
| Finance costs | (94,655) | (113,606) | (28,658) | (27,209) |
| Finance income | 533 | 2,003 | 545 | 227 |
| **Loss before tax** | **(137,803)** | **(104,218)** | **(27,223)** | **(13,759)** |
| Tax credit | 35,109 | 30,216 | 4,865 | 83 |
| **Loss for the period** | **(102,694)** | **(74,002)** | **(22,358)** | **(13,676)** |
| **Attributable to:** | | | | |
| Owners of the parent | (106,751) | (77,826) | (22,699) | (14,574) |
| Non-controlling interests | 4,057 | 3,824 | 341 | 898 |
| **Loss for the period** | **(102,694)** | **(74,002)** | **(22,358)** | **(13,676)** |
| **£ millions** | | | | |
| **Total Income**(1) | **527.1** | **667.5** | **157.6** | **160.1** |
| **Adjusted EBITDA**(2) | **110.3** | **183.4** | **39.3** | **43.6** |

* Restated: We have recognized a deferred tax asset in our consolidated financial statements in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. A deferred tax asset is recognized on the basis that future taxable profits will arise in the consolidated financial statements as a result of the unwind of the deferred tax liability that was already included in those financial statements in relation to intangible assets recognized on a business combination. The adjustment increased deferred tax assets and decreased retained losses in the statement of financial position by £32.4 million as of December 31, 2018, and it increased the tax credit in the income statement for the year ended December 31, 2018 by £8.9 million. The adjustment increased deferred tax assets and decreased retained losses in the statement of financial position by £34.7 million as of March 31, 2019 and it increased the tax credit in the income statement for the three months ended March 31, 2019 by £2.3 million. Additionally, £0.8 million presented as "derecognition of assets following a sale of business" in the three months ended March 31, 2019 have been reclassified to Depreciation, amortization and impairment of non-financial assets.

(1) Total income as presented above comprises the sum of commission and fees, other income, investment income and finance income.

(2) See "*Summary Historical Financial Information and Other Data—Other Consolidated Financial and Pro Forma Data*" for reconciliation of Adjusted EBITDA to Total Loss for the Period. Adjusted EBITDA is a non-IFRS measure. See "*Presentation of Financial Information—Non-IFRS Measures.*"

### Results of Operations—Three Months Ended March 31, 2020 Compared to the Three Months Ended March 31, 2019

#### *Total Income*

Total income increased by 1.6%, or £2.5 million, to £160.1 million in the three months ended March 31, 2020 from £157.6 million in the three months ended March 31, 2019. The increase was primarily due to the new producer hires in the Specialty & International operating segment rapidly reaching maturity, combined with the acquisition of Rural during the period.

***Salaries and associated costs***

Salaries and associated costs decreased by 3.8%, or £3.0 million, to £75.1 million in the three months ended March 31, 2020 from £78.1 million in the three months ended March 31, 2019. The decrease was primarily due to the continued focus of the business on operational efficiency and delivering on our identified cost reduction plans and synergies.

***Other operating costs***

Other operating costs decreased by 10.1%, or £5.4 million, to £48.1 million in the three months ended March 31, 2020 from £53.5 million in the three months ended March 31, 2019. The decrease was primarily due to less spending on transformation activities, our continued focus on operational efficiency and delivering on our identified cost reduction plans and synergies.

See "*—Significant Factors Affecting Results of Operations—Business Transformation and Synergies*."

***Depreciation, amortization and impairment of non-financial assets***

Depreciation, amortization and impairment of non-financial assets decreased by 12.1%, or £3.0 million, to £21.8 million in the three months ended March 31, 2020 from £24.8 million in the three months ended March 31, 2019. The decrease was primarily due to an impairment of non-financial assets in 2019 following the disposal of a business, to lower depreciation of property, plant and equipment in 2020, and to lower depreciation of the right-of-use assets in 2020.

***Fair value gain/(loss) on derivatives***

Fair value gain/(loss) on derivatives was £nil in the three months ended March 31, 2020, as compared to a £0.6 million loss in the three months ended March 31, 2019. The change was primarily due to the existence in the three months ended March 31, 2020, of deal contingent cross currency swaps to which hedge accounting could not be applied.

***Finance costs***

Finance costs decreased by 5.2%, or £1.5 million, to £27.2 million in the three months ended March 31, 2020 from £28.7 million in the three months ended March 31, 2019. The decrease was primarily due to a foreign exchange difference arising in the three months ended March 31, 2019 in relation to the Existing Dollar Notes to which hedge accounting could not be applied, and to lower interest on the lease liabilities in the three months ended March 31, 2020.

***Tax credit***

Tax credit decreased by 98.0%, or £4.8 million, to £0.1 million in the three months ended March 31, 2020 from £4.9 million in the three months ended March 31, 2019. The decrease was primarily due to the reduction in pre-tax loss combined with the impact of statutory restrictions on the deductibility of interest expense and the change to 19% in the legislated UK corporation tax rate for tax years commencing April 1, 2020.

***Loss for the period***

Loss for the period decreased by 38.8%, or £8.7 million, to £13.7 million in the three months ended March 31, 2020 from £22.4 million in the three months ended March 31, 2019. The decrease was primarily due to the acquisition of Rural, strong underlying organic growth, operational efficiencies, and cost reduction plans and synergies, partially offset by a lower tax credit and no gain on disposal of a business in the three months ended March 31, 2020.

***Adjusted EBITDA***

Adjusted EBITDA increased by 10.9%, or £4.3 million, to £43.6 million in the three months ended March 31, 2020 from £39.3 million in the three months ended March 31, 2019. The increase was primarily due to the continued strong organic growth and delivery of near-term identified cost savings and synergies.

See "*—Significant Factors Affecting Results of Operations—Business Transformation and Synergies*."

**Segmental Results of Operations—Three Months Ended March 31, 2020 Compared to the Three Months Ended March 31, 2019**

***Ardonagh Advisory***

The following table sets forth the results of operations for the three months ended March 31, 2019 and March 31, 2020 for the Ardonagh Advisory platform.

| £ thousands | Three months ended March 31, 2019* | Three months ended March 31, 2020 |
|---|---|---|
| Commission and fees | 52,496 | 55,687 |
| Other income | 6 | 2 |
| Investment income | 1 | 1 |
| Salaries and associated costs | (25,116) | (26,009) |
| Other operating costs | (13,243) | (13,125) |
| Impairment of financial assets | (20) | (212) |
| Depreciation, amortization and impairment of non-financial asset | (5,194) | (6,149) |
| **Operating profit** | **8,930** | **10,195** |
| Finance costs | (517) | (549) |
| Finance income | 5 | 3 |
| **Profit before tax** | **8,418** | **9,649** |
| Tax credit | (1,504) | (58) |
| **Profit for the period** | **(6,914)** | **9,591** |
| **£ millions** | | |
| **Total Income**(1) | **52.5** | **55.7** |
| **Adjusted EBITDA**(2) | **17.2** | **17.8** |

* Restated: We have recognized a deferred tax asset in our consolidated financial statements in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. A deferred tax asset is recognized on the basis that future taxable profits will arise in the consolidated financial statements as a result of the unwind of the deferred tax liability that was already included in those financial statements in relation to intangible assets recognized on a business combination.

(1) Total income as presented above comprises the sum of commission and fees, other income, investment income and finance income.

(2) See "*Summary Historical Financial Information and Other Data—Other Consolidated Financial and Pro Forma Data*" for reconciliation of Adjusted EBITDA to Total Loss for the Period. Adjusted EBITDA is a non-IFRS measure. See "*Presentation of Financial Information—Non-IFRS Measures.*"

Total income increased by 6.1%, or £3.2 million, to £55.7 million in the three months ended March 31, 2020 from £52.5 million for the three months ended March 31, 2019. The increase was primarily due to the inclusion of a full quarter of results for HAPS and MHG in the first quarter of 2020, following the acquisition of the businesses via the acquisition of Nevada 2 on January 31, 2019. The remainder of the increase was due to the transfer of the Swinton commercial book to Advisory in 2020 and underlying organic growth. Profit for the period increased by 239.1%, or £16.5 million, to £9.6 million in the three months ended March 31, 2020 from a loss of £6.9 million for the three months ended March 31, 2019. The increase was primarily due to the acquisitions in the period, strong underlying organic growth and delivery of cost savings and synergies partially offset by a decrease in depreciation, amortization and impairment of non-financial assets.

*Ardonagh Retail*

The following table sets forth the results of operations for the three months ended March 31, 2019 and March 31, 2020 for the Ardonagh Retail platform.

| £ thousands | Three months ended March 31, | |
|---|---|---|
| | 2019* | 2020 |
| Commission and fees | 64,993 | 60,379 |
| Other income | 4,456 | 4,030 |
| Investment income | 8 | 7 |
| Salaries and associated costs | (26,130) | (21,374) |
| Other operating costs | (31,003) | (22,867) |
| Impairment of financial assets | (1,914) | (2,145) |
| Depreciation, amortization and impairment of non-financial assets | (12,667) | (9,653) |
| Share of profit from joint venture | 452 | 372 |
| **Operating (loss)/profit** | **(1,805)** | **8,749** |
| Finance costs | (2,258) | (689) |
| Finance income | 55 | 33 |
| **(Loss)/profit before tax** | **(4,008)** | **8,093** |
| Tax credit | 716 | (48) |
| **(Loss)/profit for the period** | **(3,292)** | **8,045** |
| **£ millions** | | |
| **Total Income**(1) | **69.5** | **64.4** |
| **Adjusted EBITDA**(2) | **18.4** | **20.1** |

* Restated: We have recognized a deferred tax asset in our consolidated financial statements in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. A deferred tax asset is recognized on the basis that future taxable profits will arise in the consolidated financial statements as a result of the unwind of the deferred tax liability that was already included in those financial statements in relation to intangible assets recognized on a business combination.

(1) Total income as presented above comprises the sum of commission and fees, other income, investment income and finance income.

(2) See "*Summary Historical Financial Information and Other Data—Other Consolidated Financial and Pro Forma Data*" for reconciliation of Adjusted EBITDA to Total Loss for the Period. Adjusted EBITDA is a non-IFRS measure. See "*Presentation of Financial Information—Non-IFRS Measures.*"

Total income decreased by 7.3%, or £5.1 million, to £64.4 million in the three months ended March 31, 2020 from £69.5 million for the three months ended March 31, 2019. The decrease was primarily due to business transfers to Ardonagh Advisory and the planned optimization of the Swinton product portfolio (including targeted reduction in less profitable business). Profit for the period increased by 342.4% or £11.3 million, to £8.0 million in the three months ended March 31, 2020 from a loss of £3.3 million for the three months ended March 31, 2019. The increase was primarily due to the successful delivery of the cost saving and synergy program across Ardonagh Retail and the branch closure program at Swinton.

***Ardonagh Specialty***

The following table sets forth the results of operations for the three months ended March 31, 2019 and March 31, 2020 for the Ardonagh Specialty platform.

| **£ thousands** | **Three months ended March 31,** | |
|---|---|---|
| | **2019*** | **2020** |
| Commission and fees | 33,374 | 38,488 |
| Other income | 6 | 55 |
| Investment income | 421 | 337 |
| Salaries and associated costs | (21,219) | (23,358) |
| Other operating costs | (7,766) | (9,053) |
| Impairment of financial assets | (161) | 276 |
| Depreciation, amortization and impairment of non-financial assets | (5,580) | (5,009) |
| Share of profit from associate | — | 108 |
| **Operating profit/(loss)** | **(925)** | **1,844** |
| Gain on disposal of business | 2,572 | — |
| Finance costs | (430) | (352) |
| Finance income | 88 | 109 |
| **Profit before tax** | **1,305** | **1,601** |
| Tax credit | (233) | (10) |
| **Profit for the period** | **1,072** | **1,591** |
| **£ millions** | | |
| **Total Income**(1) | **33.9** | **39.0** |
| **Adjusted EBITDA**(2) | **6.7** | **9.3** |

* Restated: We have recognized a deferred tax asset in our consolidated financial statements in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. A deferred tax asset is recognized on the basis that future taxable profits will arise in the consolidated financial statements as a result of the unwind of the deferred tax liability that was already included in those financial statements in relation to intangible assets recognized on a business combination.

(1) Total income as presented above comprises the sum of commission and fees, other income, investment income and finance income.

(2) See "*Summary Historical Financial Information and Other Data—Other Consolidated Financial and Pro Forma Data*" for reconciliation of Adjusted EBITDA to Total Loss for the Period. Adjusted EBITDA is a non-IFRS measure. See "*Presentation of Financial Information—Non-IFRS Measures.*"

Total income increased by 15.0%, or £5.0 million, to £39.0 million in the three months ended March 31, 2020 from £33.9 million for the three months ended March 31, 2019. The increase was primarily due to the investment we have made historically in transformational new hires rapidly reaching revenue maturity, a number of small appointed representative buy-outs and positive foreign exchange movement. Profit for the period increased by 48.4%, or £0.5 million, to £1.6 million in the three months ended March 31, 2020 from £1.1 million for the three months ended March 31, 2019. The increase was primarily due to income growth and successful delivery of the cost reduction program.

***Corporate***

The following table sets forth the results of operations for the three months ended March 31, 2020 and March 31, 2019 for the Corporate non-operating segment.

| **£ thousands** | **Three months ended March 31,** | |
|---|---|---|
| | **2019*** | **2020** |
| Commission and fees | 1,057 | 665 |
| Other income | 35 | — |
| Investment income | 152 | 177 |
| Salaries and associated costs | (5,676) | (4,372) |
| Other operating costs | (1,472) | (3,050) |
| Depreciation, amortization and impairment of non-financial assets | (1,385) | (985) |
| Fair value (loss) on derivatives | (593) | — |
| **Operating (loss)** | **(7,882)** | **(7,565)** |
| Finance costs | (25,453) | (25,619) |
| Finance income | 397 | 82 |
| **(Loss) before tax** | **(32,938)** | **(33,102)** |
| Tax credit | 5,886 | 199 |
| **(Loss) for the period** | **(27,052)** | **(32,903)** |
| **£ millions** | | |
| **Total Income**(1) | **1.6** | **0.9** |
| **Adjusted EBITDA**(2) | **(3.0)** | **(3.5)** |

* Restated: We have recognized a deferred tax asset in our consolidated financial statements in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. A deferred tax asset is recognized on the basis that future taxable profits will arise in the consolidated financial statements as a result of the unwind of the deferred tax liability that was already included in those financial statements in relation to intangible assets recognized on a business combination.

(1) Total income as presented above comprises the sum of commission and fees, other income, investment income and finance income.

(2) See "*Summary Historical Financial Information and Other Data—Other Consolidated Financial and Pro Forma Data*" for reconciliation of Adjusted EBITDA to Total Loss for the Period. Adjusted EBITDA is a non-IFRS measure. See "*Presentation of Financial Information—Non-IFRS Measures.*"

Total income decreased by 43.7%, or £0.7 million, to £0.9 million in the three months ended March 31, 2020 from £1.6 million for the three months ended March 31, 2019. The decrease was primarily due to a reduction in the Corporate hedging adjustments. Loss for the period increased by 21.4%, or £5.8 million, to £32.9 million in the three months ended March 31, 2020 from £27.1 million for the three months ended March 31, 2019. The increase in loss was primarily due to a reduction in the tax credit.

**Results of Operations—Year Ended December 31, 2019 Compared to the Year Ended December 31, 2018**

***Total Income***

Total income increased by 26.6%, or £140.4 million, to £667.5 million in the year ended December 31, 2019 from £527.1 million in the year ended December 31, 2018. The increase was primarily due to the successful integration of the Swinton business following its acquisition on December 31, 2018 and due to strong organic growth.

***Salaries and associated costs***

Salaries and associated costs increased by 10.4%, or £30.2 million, to £321.6 million in the year ended December 31, 2019 from £291.4 million in the year ended December 31, 2018. The increase was primarily due to the acquisition of the Swinton business on December 31, 2018, partially offset by the continued successful delivery of our cost savings and synergy program, including the cost savings resulting from the branch closure program at Swinton.

***Other operating costs***

Other operating costs increased by 9.7%, or £20.5 million, to £231.7 million in the year ended December 31, 2019 from £211.2 million in the year ended December 31, 2018. The increase was primarily due to the acquisition of the Swinton business on December 31, 2018 offset by the continued successful delivery of our cost savings and synergy program, including the cost savings resulting from the branch closure program at Swinton.

***Depreciation, amortization and impairment of non-financial assets***

Depreciation, amortization and impairment of non-financial assets increased by 34.2%, or £24.4 million, to £95.7 million in the year ended December 31, 2019 from £71.3 million in the year ended December 31, 2018. The increase was primarily due to the adoption of IFRS 16, with effect from January 1, 2019, with lease expenses now flowing through the profit or loss statement as a depreciation and finance charge, combined with the acquisition of the Swinton business on December 31, 2018.

***Fair value (loss)/gain on derivatives***

Fair value (loss)/gain on derivatives decreased by 124.0%, or £3.1 million, to a loss of £0.6 million in the year ended December 31, 2019 from a gain of £2.5 million in the year ended December 31, 2018. The decrease was primarily due to changes in the fair value of four deal contingent cross currency swaps that were used to hedge the foreign currency exposure associated with the U.S. dollar debt issued on November 19, 2018 to finance the subsequent acquisitions of Swinton and Nevada 2 . Two of the deal contingent cross currency swaps were contingent on the acquisition of Swinton going ahead, and the other two were contingent on the acquisition of Nevada 2 going ahead. Hedge accounting could not be applied until the deal contingency was resolved, which happened on December 31, 2018 for the acquisition of Swinton and on January 31, 2019 for the acquisition of Nevada 2 , so changes in the fair value of the four derivatives were recognized immediately in profit or loss until their associated deal contingency was resolved.

***Finance costs***

Finance costs increased by 20.0%, or £18.9 million, to £113.6 million in the year ended December 31, 2019 from £94.7 million in the year ended December 31, 2018. The increase was primarily due to the adoption of IFRS 16, with effect from January 1, 2019, with lease expenses now flowing through the profit or loss statement as a depreciation and finance charge, combined with increased interest costs from the $235.0 million Mirror Notes issued to finance the acquisition of Swinton on December 31, 2018.

***Tax credit***

Tax credit decreased by 14.0%, or £4.9 million, to £30.2 million in the year ended December 31, 2019 from £35.1 million in the year ended December 31, 2018. The decrease was primarily due to the reduction in pre-tax loss combined with the recognition of deferred tax assets on brought forward tax losses for which no deferred tax asset was previously recognized.

***Loss for the period***

Loss for the period decreased by 27.9%, or £28.7 million, to £74.0 million in the year ended December 31, 2019 from £102.7 million in the year ended December 31, 2018. Although our operating results improved by £54.6 million due to income growth and the delivery of cost savings, this improvement was primarily offset by £17.5 million in additional net finance costs (net of finance income), £3.5 million lower net gains (or adjustments to gains) on disposal of associates or businesses, and a £4.9 million decrease in the tax credit for the year ended December 31, 2019.

***Adjusted EBITDA***

Adjusted EBITDA increased by 66.3%, or £73.1 million, to £183.4 million in the year ended December 31, 2019 from £110.3 million in the year ended December 31, 2018. The increase was primarily due to the acquisition of the Swinton business on December 31, 2018, strong organic growth and the continued successful delivery of our cost savings and synergy program, including cost savings resulting from the branch closure program at Swinton. The adoption of IFRS 16, with effect from January 1, 2019, also contributed to the uplift in Adjusted EBITDA with lease expenses now flowing through the profit or loss statement as a depreciation and finance charge. Further information on the adoption of IFRS 16 and the impact on our financial statements can be found in note 3 of the Ardonagh 2019 Audited Financial Statements.

**Segmental Results of Operations—Year Ended December 31, 2019 Compared to the Year Ended December 31, 2018**

***Ardonagh Advisory***

The following table sets forth the results of operations for the years ended December 31, 2018 and December 31, 2019 for the Ardonagh Advisory platform.

| **£ thousands** | **Year ended December 31** | |
|---|---|---|
| | **2018*** | **2019** |
| Commission and fees | 202,227 | 222,856 |
| Other income | — | (40) |
| Investment income | — | 10 |
| Salaries and associated costs | (118,493) | (110,237) |
| Other operating costs | (51,964) | (57,074) |
| Impairment of financial assets | (556) | (557) |
| Depreciation, amortization and impairment of non-financial assets | (11,905) | (23,602) |
| Adjustment to goodwill in respect of prior years | (462) | — |
| **Operating profit** | **18,847** | **31,356** |
| Finance costs | (2) | (2,050) |
| Finance income | — | 39 |
| **Profit before tax** | **18,845** | **29,345** |
| Tax credit | 2,684 | 1,766 |
| **Profit for the year** | **21,529** | **31,111** |
| **£ millions** | | |
| **Total Income**(1) | **202.2** | **222.9** |
| **Adjusted EBITDA**(2) | **48.5** | **69.0** |

* Restated: We have recognized a deferred tax asset in our consolidated financial statements in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. A deferred tax asset is recognized on the basis that future taxable profits will arise in the consolidated financial statements as a result of the unwind of the deferred tax liability that was already included in those financial statements in relation to intangible assets recognized on a business combination.

(1) Total income as presented above comprises the sum of commission and fees, other income, investment income and finance income.

(2) See "*Summary Historical Financial Information and Other Data—Other Consolidated Financial and Pro Forma Data*" for reconciliation of Adjusted EBITDA to Total Loss for the Period. Adjusted EBITDA is a non-IFRS measure. See "*Presentation of Financial Information—Non-IFRS Measures.*"

Total Income increased by 10.2%, or £20.7 million, to £222.9 million for the year ended December 31, 2019 from £202.2 million for the year ended December 31, 2018. The increase was primarily due to the acquisition of HAPS and MHG, via the acquisition of Nevada 2 on January 31, 2019 and strong organic growth, primarily as the result of improved retention. Profit for the year increased by 44.7%, or £9.6 million, to £31.1 million in the year ended December 31, 2019 from £21.5 million for the year ended December 31, 2018. Adjusted EBITDA increased by 42.3%, or £20.5 million, to £69.0 million in the year ended December 31, 2019 from £48.5 million in the year ended December 31, 2018. The increase was primarily due to the acquisition of HAPS and MHG, via the acquisition of Nevada 2 on January 31, 2019, strong income growth and the successful delivery of the cost saving and efficiency program enabled by the roll-out of the Acturis platform.

*Ardonagh Retail*

The following table sets forth the results of operations for the years ended December 31, 2018 and December 31, 2019 for the Ardonagh Retail platform.

| £ thousands | Year ended December 31 | |
|---|---|---|
| | **2018*** | **2019** |
| Commission and fees | 169,702 | 274,692 |
| Other income | 2,259 | 19,217 |
| Investment income | 24 | 30 |
| Salaries and associated costs | (64,066) | (97,558) |
| Other operating costs | (68,025) | (106,857) |
| Impairment of financial assets | (2,920) | (10,593) |
| Depreciation, amortization and impairment of non-financial assets | (36,104) | (47,479) |
| Adjustment to goodwill in respect of prior years | (2,633) | — |
| Share of profit from joint venture | 1,777 | 1,680 |
| **Operating profit** | **14** | **33,132** |
| Gain on disposal of business | 19 | — |
| Finance costs | (13) | (4,813) |
| Finance income | 12 | 303 |
| **Profit before tax** | **32** | **28,622** |
| Tax credit | 3,283 | (4,573) |
| **Profit for the year** | **3,315** | **24,049** |
| **£ millions** | | |
| **Total Income**(1) | **172.0** | **294.2** |
| **Adjusted EBITDA**(2) | **59.0** | **98.4** |

* Restated: We have recognized a deferred tax asset in our consolidated financial statements in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. A deferred tax asset is recognized on the basis that future taxable profits will arise in the consolidated financial statements as a result of the unwind of the deferred tax liability that was already included in those financial statements in relation to intangible assets recognized on a business combination.

(1) Total income as presented above comprises the sum of commission and fees, other income, investment income and finance income.

(2) See "*Summary Historical Financial Information and Other Data—Other Consolidated Financial and Pro Forma Data*" for reconciliation of Adjusted EBITDA to Total Loss for the Period. Adjusted EBITDA is a non-IFRS measure. See "*Presentation of Financial Information—Non-IFRS Measures.*"

Total Income increased by 71.0%, or £122.2 million, to £294.2 million in the year ended December 31, 2019 from £172.0 million for the year ended December 31, 2018. The increase was primarily due to the acquisition of the Swinton business on December 31, 2018. Profit for the year increased by 627.3%, or £20.7 million, to £24.0 million in the year ended December 31, 2019 from £3.3 million for the year ended December 31, 2018. Adjusted EBITDA increased by 66.8%, or £39.4 million, to £98.4 million in the year ended December 31, 2019 from £59.0 million in the year ended December 31, 2018. The increase was primarily due to the acquisition and successful integration of the Swinton business combined with the successful completion of the Swinton branch closure program.

### *Ardonagh Specialty*

The following table sets forth the results of operations for the years ended December 31, 2018 and December 31, 2019 for the Ardonagh Specialty platform.

| £ thousands | Year ended December 31 | |
|---|---|---|
| | 2018* | 2019 |
| Commission and fees | 145,292 | 139,814 |
| Other income | — | 172 |
| Investment income | 1,420 | 1,617 |
| Salaries and associated costs | (105,774) | (87,211) |
| Other operating costs | (48,508) | (37,421) |
| Impairment of financial assets | (1,585) | (3,315) |
| Depreciation, amortization and impairment of non-financial assets | (18,844) | (19,592) |
| Share of profit from associate | — | 217 |
| **Operating loss** | **(27,999)** | **(5,719)** |
| Gain on disposal of business | — | 2,244 |
| Finance costs | (328) | (1,717) |
| Finance income | 262 | 900 |
| **Loss before tax** | **(28,065)** | **(4,292)** |
| Tax credit | 8,658 | (6,131) |
| **Loss for the year** | **(19,407)** | **(10,423)** |
| **Total Income**(1) | **147.0** | **142.5** |
| **Adjusted EBITDA**(2) | **22.0** | **30.9** |

* Restated: We have recognized a deferred tax asset in our consolidated financial statements in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. A deferred tax asset is recognized on the basis that future taxable profits will arise in the consolidated financial statements as a result of the unwind of the deferred tax liability that was already included in those financial statements in relation to intangible assets recognized on a business combination.

(1) Total income as presented above comprises the sum of commission and fees, other income, investment income and finance income.

(2) See "*Summary Historical Financial Information and Other Data—Other Consolidated Financial and Pro Forma Data"* for reconciliation of Adjusted EBITDA to Total Loss for the Period. Adjusted EBITDA is a non-IFRS measure. See "*Presentation of Financial Information—Non-IFRS Measures."*

Total Income decreased by 3.1%, or £4.5 million, to £142.5 million in the year ended December 31, 2019 from £147.0 million for the year ended December 31, 2018. The decrease was primarily due to the disposal of the Commercial MGA business to Arch Insurance Company (Europe) Limited on January 1, 2019 partially offset by organic growth of the Wholesale business, primarily driven by the new producer hires rapidly reaching revenue maturity. Loss for the year decreased by 46.4%, or £9.0 million, to £10.4 million in the year ended December 31, 2019 from a loss of £19.4 million for the year ended December 31, 2018. Adjusted EBITDA increased by 40.5%, or £8.9 million, to £30.9 million in the year ended December 31, 2019 from £22.0 million in the year ended December 31, 2018. The decrease was primarily due to the disposal as set out above (Commercial MGA was loss-making), organic growth and the successful delivery of our cost saving program.

***Corporate***

The following table sets forth the results of operations for the years ended December 31, 2018 and December 31, 2019 for the Corporate non-operating segment.

| **£ thousands** | **Year ended December 31** | |
|---|---|---|
| | **2018*** | **2019** |
| Commission and fees | 4,680 | 3,300 |
| Other income | 313 | 2,819 |
| Investment income | 662 | 1,000 |
| Salaries and associated costs | (3,039) | (26,550) |
| Other operating costs | (42,714) | (30,303) |
| Depreciation, amortization and impairment of non-financial assets | (4,431) | (5,040) |
| Fair value gain/(loss) on derivatives | 2,485 | (604) |
| **Operating loss** | **(42,044)** | **(55,378)** |
| Adjustment to gain/gain on disposal of associate | 7,482 | 1,750 |
| Finance costs | (94,312) | (105,026) |
| Finance income | 259 | 761 |
| **Loss before tax** | **(128,615)** | **(157,893)** |
| Tax credit | 20,484 | 39,154 |
| **Loss for the year** | **(108,131)** | **(118,739)** |
| **£ millions** | | |
| **Total Income**(1) | **5.9** | **7.9** |
| **Adjusted EBITDA**(2) | **(19.3)** | **(14.9)** |

* Restated: We have recognized a deferred tax asset in our consolidated financial statements in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. A deferred tax asset is recognized on the basis that future taxable profits will arise in the consolidated financial statements as a result of the unwind of the deferred tax liability that was already included in those financial statements in relation to intangible assets recognized on a business combination.

(1) Total income as presented above comprises the sum of commission and fees, other income, investment income and finance income.

(2) See "*Summary Historical Financial Information and Other Data—Other Consolidated Financial and Pro Forma Data*" for reconciliation of Adjusted EBITDA to Total Loss for the Period. Adjusted EBITDA is a non-IFRS measure. See "*Presentation of Financial Information—Non-IFRS Measures.*"

Total Income increased by 34%, or £2.0 million, to £7.9 million in the year ended December 31, 2019 from £5.9 million for the year ended December 31, 2018. The increase was primarily due to profit on disposal of a leasehold property in 2019. Loss for the year increased by 9.8%, or £10.6 million, to £118.7 million in the year ended December 31, 2019 from £108.1 million for the year ended December 31, 2018. The increase was primarily due to an increase in finance costs as a result of the USD $235.0 million Mirror Notes, and due to an increase in provisions associated with ETV redress payment.

## Liquidity and Capital Resources

Liquidity describes the availability of liquid resources and ability of a company to generate sufficient cash flows to meet the cash requirements of its business operations, including working capital needs, capital expenditure, debt service obligations, other commitments, contractual obligations and acquisitions. Proactive and careful management of our liquidity continues to be a key priority for us, utilizing both medium (12 months rolling) and short-term (13 weeks rolling) forecasts. Our liquidity requirements arise primarily to meet our debt service obligations, to fund capital expenditures, to fund salaries and other associated costs and to fund acquisitions. Going forward, our primary sources of liquidity are provided by our cash from operating activities and drawings under the New Revolving Credit Facility.

For the year ended December 31, 2019, we generated positive cash inflow from operations, despite significant investment in completing the Towergate transformation program and in delivering the cost reduction and synergy initiatives, including the Swinton branch closure and integration program. In addition, we benefitted from the disposal of the Commercial MGA business on January 1, 2019, for which we received a consideration of £31.5 million, of which £30.0 million represented the initial consideration. This was primarily offset by interest payments of £95.2 million, capital expenditure as part of the transformation program and payment of transaction costs in relation to the USD $235.0 million Mirror Notes issued on November 19, 2018.

For the year ended December 31, 2018, we undertook a number of financing transactions, which have improved our liquidity and capital resources. We issued £98.3 million of Existing Sterling Notes in June 2018 to pay down the drawn Existing Revolving Credit Facility and to finance further investment in our business. In addition, we disposed of certain non-core assets including the sale of our 19.9% interest in Broker Network for £30 million cash received at January 19, 2018, the Claims business disposal for £25.5 million cash received at October 16, 2018 and the Commercial MGA disposal for £31.5 million cash received at January 2, 2019.

In November 2018, we issued USD $235.0 million Mirror Notes to fund the acquisitions of Swinton, and the Nevada 3 Transactions, and to further improve our liquidity. In September 2018, our Existing Revolving Credit Facility was amended and restated to include an additional £50.0 million LC Facility in order to provide credit support in respect of potential redress liabilities relating to the sale of certain ETV products by Towergate Financial, which we disposed of in 2015. In March, 2020, to account for the growth of our business, our Existing Revolving Credit Facility was extended from £120.0 million to £170.0 million, of which £70.0 million was drawn as of March 31, 2020. We intend to cancel the Existing Revolving Credit Facility simultaneously with the closing of the Offering. The LC Facility of £50.0 million will be replaced by a new LC facility in the same amount.

The Senior Secured Credit Facilities Agreement will provide us with access to the New Revolving Credit Facility with aggregate commitments of £171.5 million and the CAR Facility with total commitments of £300.0 million. The New Revolving Credit Facility and the CAR Facility are expected to be undrawn as of the Issue Date.

Our debt service obligations consist primarily of borrowings under the Existing Revolving Credit Facility and interest payments on the Existing Notes, and following the Transactions, including the Offering, will consist of interest payments on the Notes, and the Secured Credit Facilities.

Although we believe that our expected cash flows from operating activities, together with available borrowings will be adequate to meet our anticipated general liquidity needs and debt service obligations, we cannot assure you that our business will generate sufficient cash flows from operations to meet these needs or that future debt or equity financing will be available to us in an amount sufficient to enable us to fund our liquidity needs, including making payments on the Notes or other debt when due. If our cash flows from operating activities are lower than expected or our capital expenditure requirements exceed our projections, we may be required to seek additional financing, which may not be available on commercially reasonable terms, if at all. Our ability to arrange financing generally and our cost of capital depends on numerous factors, including general economic conditions, the availability of credit from banks, other financial institutions, and capital markets, restrictions in instruments governing our debt, and our general financial performance. See "*Risk Factors—Risks Related to our Financial Profile*" and "*Risk Factors—Risks Related to our Financial Profile—Our substantial leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations with respect to the Notes, the Notes Guarantees and the Collateral*."

### *Cash Flow Analysis—Three Months Ended March 31, 2020 and Three Months Ended March 31, 2019*

The following tables summarizes our cash flow for the three months ended March 31, 2020 and March 31, 2019.

| **£ thousands** | **Three months ended March 31,** | |
|---|---|---|
| | **2019** | **2020** |
| Cash and cash equivalents at beginning of period | 504,956 | 410,903 |
| Net cash flows (used in)/from operating activities | (55,359) | 3,632 |
| Net cash flows from/(used in) investing activities | 34,200 | (26,723) |
| Net cash flows (used in)/from financing activities | (66,294) | 12,655 |
| Effect of movements in exchange rates on cash held | (3,618) | 7,219 |
| **Cash and cash equivalents at end of period** | **413,885** | **407,686** |

*Net cash generated from operating activities*

The net cash inflow from operating activities increased by £59.0 million to £3.6 million in the three months ended March 31, 2020 from a net cash outflow of £55.4 million for the three months ended March 31, 2019. The increase was due to improvement in operating profit, partially offset by movements in trade and other receivables and in trade and other payables (primarily relating to fiduciary balances), and also offset by translation of fiduciary cash held in foreign currencies and by movement in provisions.

*Net cash generated from investing activities*

The net cash outflow from investing activities increased by £60.9 million to £26.7 million in the three months ended March 31, 2020 from a net cash inflow of £34.2 million for the three months ended March 31, 2019. The increase was due to the acquisition of the business and certain assets held by Rural during the three months ended March 31, 2020.

*Net cash generated from financing activities*

The net cash inflow from financing activities increased by £79.0 million to £12.7 million in the three months ended March 31, 2020 from a net cash outflow of £66.3 million for the three months ended March 31, 2019. The increase was primarily due to drawings under the Existing Revolving Credit Facility of £70.0 million, and to a reduction in repayments of premium financing.

***Cash Flow Analysis—Years Ended December 31, 2018 and December 31 2019***

The following tables summarizes our cash flow for the years ended December 31, 2018, and December 31, 2019.

| **£ thousands** | **Year ended December 31,** | |
|---|---|---|
| | **2018** | **2019** |
| Cash and cash equivalents at beginning of year | 332,916 | 504,956 |
| Net cash flows from operating activities | 71,381 | 102,083 |
| Net cash flows (used in)/from investing activities | (114,575) | 22,121 |
| Net cash flows from/(used in) financing activities | 208,339 | (212,814) |
| Effect of movements in exchange rates on cash held | 6,895 | (5,443) |
| **Cash and cash equivalents at end of year** | **504,956** | **410,903** |

*Net cash generated from operating activities*

The net cash inflow from operating activities increased by £30.7 million to £102.1 million in the year ended December 31, 2019 from a net cash inflow of £71.4 million for the year ended December 31, 2018. The increase was due to the significant improvement in operating profit and translation of fiduciary cash held in foreign currencies, partially offset by movements in trade and other receivables and in trade and other payables (primarily relating to fiduciary balances), as well as by movement in provisions.

*Net cash generated from investing activities*

The net cash inflow from investing activities increased by £136.7 million to £22.1 million in the year ended December 31, 2019 from a net cash outflow of £114.6 million for the year ended December 31, 2018. The increase was due to a reduction in acquisition of businesses following the Swinton acquisition in 2018, and also due to a reduction in purchase of intangible fixed assets, partially offset by reduced proceeds from disposals.

*Net cash generated from financing activities*

The net cash outflow from financing activities increased by £421.1 million to £212.8 million in the year ended December 31, 2019 from a net cash inflow of £208.3 million for the year ended December 31, 2018. The increase was due to a reduction in proceeds from new loan notes following the issue of the USD $235.0 million Mirror Notes in 2018, repayment in 2019 of the majority of premium finance proceeds received in 2018, increased interest costs and re-categorization of lease payments to financing activities following the adoption of IFRS 16, partially offset by a reduction in repayment of drawings under our Existing Revolving Credit Facility.

***Group Management Presentation of Cash Flow for the three months ended March 31, 2020***

In our business activity as a broker, we handle significant amounts of fiduciary cash that is collected from customers and passed on to insurers. Movements in such fiduciary cash balances are included in the cash flow under IFRS reporting. The cash flow figures in this section represent management's view of cash flow excluding movements in fiduciary cash balances.

Our operating cash flow for the three months ended March 31, 2020 was £26.7 million (compared with £17.3 million for the same period prior year), which is comprised of our Adjusted EBITDA of £43.6 million less working capital movement (including movements in net insurer balances, pre-payments, accrued income, other debtors, accruals, deferred income, accounts payable, certain other creditors and provisions, excluding any balances relating to management reconciling items, financing and corporation tax) and maintenance capital expenditures (excluding purchases of renewal rights). Our investment spend for the three months ended March 31, 2020 were £10.3 million (compared with £18.5 million for the same period prior year), which is comprised of (i) transformational hires costs (recruitment costs, sign-on bonuses, costs of retention and salary incurred during the period of the capacity restriction or covenant, or during the one year period after the capacity restriction or covenant has ended, less the income generated by those new joiners during that period), (ii) business transformation costs (realizing synergy benefits from acquired businesses by reorganizing management and business structures and by implementing new systems and processes, in reorganizing group structures, in transforming business processes, in terminating contractual arrangements, and in driving a cost base that is the right size for the Group) and (iii) project capital expenditures (excluding maintenance capital expenditures and purchases of renewal rights). Free cash flow includes (i) operating cash flow, (ii) total investments, (iii) other non-recurring costs such as legacy & other costs, (iv) lease payments, and (v) interest on Existing Notes and Existing RCF. Our free cash flow, for the three months ended March 31, 2020 was an outflow of £37.1 million (compared with an outflow of £56.4 million for the same period prior year). For the twelve months ended March 31, 2020, free cash flow was an outflow of £0.9 million. Net cash flow includes free cash flow, including proceeds from disposals, less M&A, equity & debt purchases, plus drawings under our Existing Revolving Credit Facility, less financing and associated costs and regulatory costs. Our net cash flow for the three months ended March 31, 2020 was an outflow of £6.6 million (compared with an outflow of £36.8 million for the same period prior year). For the twelve months ended March 31, 2020, net cash flow was an outflow of £33.6 million.

### Capital Expenditures

Our capital expenditures for the year ended December 31, 2019 were £18.0 million, consisting of purchase of intangible fixed assets of £13.3 million and purchase of property, plant and equipment of £4.7 million. For the three months ended March 31, 2020, our capital expenditures were £4.2 million, consisting of purchase of intangible fixed assets of £2.8 million and purchase of property, plant and equipment of £1.4 million.

### Contingent Obligations and Liabilities

In the ordinary course of business, we receive claims in respect of errors and omissions. See "*Business—Legal Proceedings*." We maintain professional indemnity insurance for errors and omissions claims, the terms of which vary by policy year, but which supports us in the event of a potential claim. The terms of this insurance vary by policy year, and self-insured risks have increased significantly over recent years. We have made a provision for claims in respect of outstanding errors and omission claims and to self-insure against smaller claims.

A contingent liability in respect of a potential liability arising from the past business review for enhanced transfer values (ETV) was disclosed in the Ardonagh 2017 Audited Financial Statements. A client contact program has since enabled the ETV population to be refined, the FCA has published revised guidance on the calculation of redress, and file reviews have commenced. Our redress program began in the third quarter of 2019 and the estimate for the overall cost of redress was increased to £63.5 million at December 31, 2019 from an initial estimate of £51.0 million as of December 31, 2018. This estimate remains unchanged as of March 31, 2020, based on the settlement experience and additional case reviews progressing to settlement during the second quarter of 2020. As of December 31, 2019, £15.9 million worth of redress payments had been paid, with an additional £9.1 million worth of payments made in the three months ended March 31, 2020. In total, £25.0 million worth of redress payments had been made as of March 31, 2020, reducing the remaining provision for redress payments to £38.5 million as of the same date. See "*Business—Legal Proceedings,*" "*Risk Factors—Risks Related to Our Business and Industry—If we fail to comply with regulatory requirements or guidelines, we may not be able to conduct business or may be subject to sanctions or substantial fines that may have a material adverse effect on our reputation, results of operations and financial condition*," "*Risk Factors—Risks Related to Our Business and Industry—Our business, results of operations and financial condition may be materially adversely affected by the outcome of certain actual and potential claims, lawsuits and other proceedings*," note 31 to the Ardonagh 2019 Audited Financial Statements and note 22 to the Ardonagh Q1 2020 Unaudited Interim Financial Statements. As of April 30, 2020, a total of £26.9 million worth of redress payments had been made, leaving an estimated remaining liability of £36.6 million as of April 30, 2020.

### Qualitative and Quantitative Disclosures About Our Market Risk

Our Ardonagh Specialty Platform, through its Specialty & International operating segment, has exposure to foreign exchange rate transactional and translational risk. Price Forbes earns most of its income in foreign currencies that are booked at the prevailing rate and may be settled at a different rate due to timing of receipts and translational risk. In addition, the presentation of our Specialty & International operating segment's results of operations may be affected by the translation of foreign currencies into pound sterling for the purpose of our consolidated financial statements. Hedging is in place at Price Forbes and Bishopsgate in respect of about 90% of forecast 2020 USD revenue and about 80% of forecast 2021 USD revenue. We will also be exposed to translation risk following the acquisition of Arachas, as their results of operations may be affected by the translation into pound sterling for the purpose of our consolidated financial statements. See also " *—Significant Factors Affecting Results of Operations—Currency Fluctuations and Hedging.*"

Our exposure to changes in interest rates primarily relates to certain indebtedness incurred under Senior Secured Credit Facilities Agreement. In addition, certain of our contracts for provision of premium financing services is impacted by movements in the 3-month LIBOR, where rate movements can impact the rate we pay in certain circumstances. Changes in these rates may have an impact on future cash flow and earnings. We are not required to hedge our interest rate exposure under the Senior Secured Credit Facilities Agreement, but may choose to do so in the future. See "*Risk Factors—Risks Related to our Financial Profile—The Secured Credit Facilities bear interest at floating rates that could rise significantly, increasing our interest cost and reducing cash flow*." We plan to manage these risks through normal operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments.

By using derivative instruments, we are subject to credit and market risk. The fair market value of the derivative instruments is determined by using valuation models whose inputs are derived using market- observable inputs, including interest rate yield curves, and reflects the asset or liability position as of the end of each reporting period. When the fair value of a derivative contract is positive, the counterparty has an obligation to pay us, thus creating a receivable risk. We are also exposed to counterparty credit risk in the event of non-performance by counterparties to our derivative agreements. We seek to minimize counterparty credit (or repayment) risk by entering into transactions with major financial institutions of investment grade credit rating. Our exposure to market risk is not hedged in a manner that completely eliminates the effects of changing market conditions on earnings or cash flow.

We are also exposed to market risk in respect of commodity prices. A key part of Price Forbes's business is derived from energy, natural resources and marine clients. Changes in the price of commodities, such as oil and natural gas, may have a significant impact in the investing and operating activities of these clients and their insurance requirements.

#### *Internal Controls*

We have a key risks and controls framework, systems of internal controls, internal audit and compliance functions as well as back-up procedures, contingency planning and insurance. Operational management form the first line of defense, owning and managing risks and organizing processes and controls to ensure compliance with applicable regulation and legislation. They also are responsible for implementing corrective actions to address process and control deficiencies. Our second line of defense provides guidance and support to first line on the necessary frameworks, standards and tools to facilitate sound risk and compliance management. The third line of defense assesses and challenges the integrity and effectiveness of the risk and compliance management framework and reports their findings to the Audit Committee.

### Significant Accounting Policies

Significant accounting policies are those that (i) are relevant to the presentation of our financial condition and results of operations and (ii) require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. In order to provide an understanding of how we form our judgments, including the variables underlying their estimates and assumptions and the sensitivity of those judgements to different circumstances, we have identified the significant accounting polices discussed below. While we believe that all aspects of our financial statements should be studied and understood in assessing our current and expected financial condition and results of operations, we believe the following significant accounting policies warrant particular attention. For more information, see note 4 to the Ardonagh Financial Statements included elsewhere in this offering memorandum.

#### *Critical judgments in applying accounting policies*

The judgments that have been made in applying accounting policies are not considered to be critical.

***Key sources of estimation uncertainty***

*Leases—determination of the discount rate*

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

We have determined the discount rate based on the available secondary bond market yield to maturity pricing, and the discount rate used for each lease depends on the lease amount and term.

The weighted average discount rate used to calculate the lease liabilities at the date of transition to IFRS 16 (January 1, 2019) was 13.5%. An increase/(decrease) in the weighted average discount rate by 1% would have reduced/increased the lease liability, as of December 31, 2019, by £1 million and the impact on the lease liability as of March 31, 2020 would not have been materially different. For the first quarter of 2020, we used a discount rate of 11.7% for new leases and certain modifications to existing leases.

*Deferred tax assets*

Significant estimation is required in determining the asset recognized in respect of deferred tax. A deferred tax asset is recognized for temporary timing differences, but management's best estimate is used to determine the extent to which it is probable that taxable profits will be available in the future against which the temporary differences can be utilized and to determine the amount of this taxable profit. Deferred tax assets are measured at the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

The deferred tax asset as of March 31, 2020 is £79.5 million, and as of December 31, 2019 is £80.5 million.

*Revenue recognition—variable consideration*

We are a party to trading deals, such as profit sharing and loss corridor arrangements. These arrangements adjust the consideration that we are entitled to for satisfying our performance obligations, and the amount and timing of revenue subject to these arrangements is inherently uncertain.

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

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

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

As of March 31, 2020, a loss corridor liability of £4.4 million is included within trade and other payables and a variable profit commission of £6.1 million is included within contract assets.

Fair value gains and losses on financial assets at FVTPL are recognized on a business combination in relation to our right to variable consideration on rolling contracts with customers for which the performance obligation was satisfied prior to the acquisition. The fair value of the Swinton rolling contract (a closed book of business) is a level 3 valuation, in accordance with IFRS 13 'Fair Value Measurement', the key assumptions of which are (a) the product lifetime restrictions of 12, 24 and 36 months for the Home Emergency Cover, Swinton Breakdown Insurance, and Personal Accident products, (b) the discount rate, which is based on the Ardonagh weighted average cost of capital of 15%, and (c) the lapse rate curves, which are estimated based on historical experience. A one year increase in the product lifetime restrictions across all three products would give rise to a £7.9 million increase in other income in 2020. A 1% increase in the discount rate would give rise to a £0.3 million decrease in other income in 2020. The financial asset corresponding to the Swinton rolling contract is £31.2 million as of March 31, 2020, and at December 31, 2019 it is £32.1 million.

*Enhanced Transfer Values (ETV) Provision*

Certain of our subsidiaries have obligations to make redress payments in respect of historical pension transfer advice. The program of redress commenced during the third quarter of 2019.

The value of the provision is sensitive to various assumptions and in particular those made for the percentage of the overall population of cases judged as requiring redress and average redress costs. The redress program remains at a relatively early stage and accordingly there is uncertainty regarding the ultimate cost, which may differ materially from management's present estimate.

The provision will be informed and updated during the course of the redress program based upon the experience of actual redress payments.

*Impairment of assets*

We test annually whether goodwill and other assets that have indefinite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may exceed its recoverable amount. The last annual impairment test was performed as of September 30, 2019 and another impairment test was performed in the first quarter of 2020.

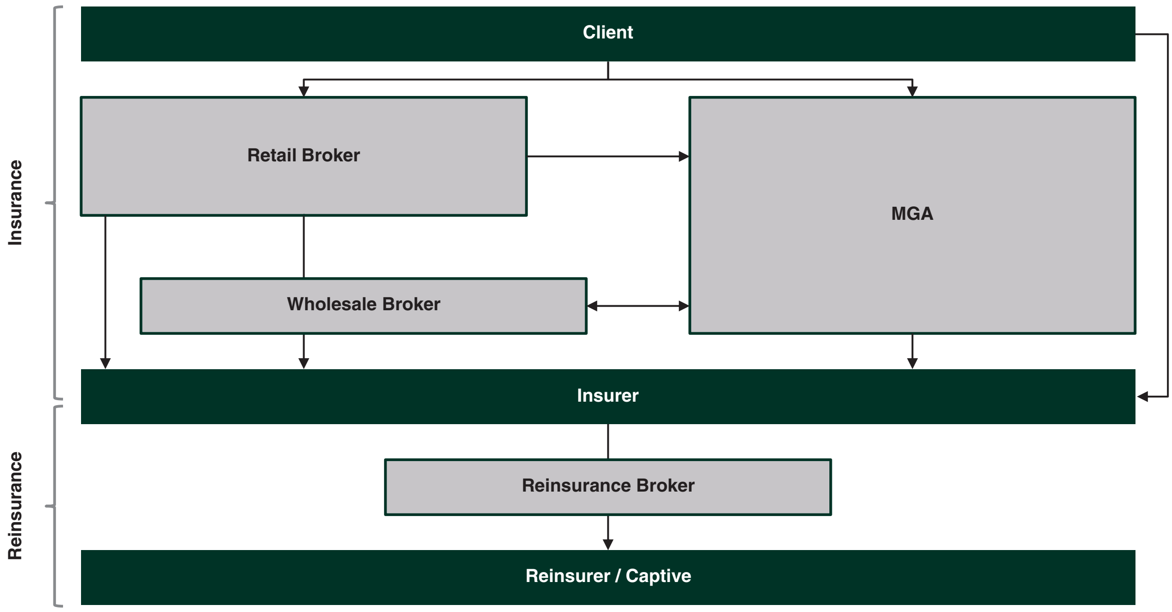
An impairment test of a cash-generating unit (or group of cash-generating units) is performed by comparing its carrying amount with its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use, where its value in use is the present value of 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 Adjusted EBITDA multiple.

Forecast cash flows used in the value in use calculation were determined by considering historic business performance, by overlaying it with assumptions to reflect areas where growth or income improvement was expected, and by taking into account the expected results of cost management program to which we are committed. These forecasts were extrapolated to subsequent years using a steady growth rate being the CPI inflation rate of 1.2% (2019: 1.9%), and a terminal value was calculated using the perpetual growth model. The discount rate of 11.3% (2019: 9.3%) that was applied to the forecasts was a market participant weighted average cost of capital calculated by reference to the Capital Asset Pricing Model.

The fair value of our group was calculated based on multiples of forecast 2020 Adjusted EBITDA and on information provided by external advisors, where that information is based on recent transactions in the insurance broking industry. The fair value of an operating segment was estimated by apportioning the fair value of our group between the operating segments based on the value in use of each operating segment. The estimated costs of disposal are assumed, based on market experience, to be 1.5% of the fair value of the operating segment.

## Overview

Providing insurance coverage to customers entails a series of activities, including (i) providing risk capital, a service exclusively provided by insurance and reinsurance companies; (ii) underwriting insurance policies, a service that requires in-depth technical knowledge; and (iii) distribution, a service that requires knowledge of the customer base and of the risks to the customer. The amount of financial risk an insurance or a reinsurance company is willing to assume in relation to its insurance policies is a function of underwriting appetite and capital or capacity. The participants in the intermediation of insurance products are principally brokers, underwriting agencies and aggregators as well as insurers selling directly to customers. The chart below shows the participants across the insurance distribution chain.




## Insurance products

Insurance products, both specialist and non-specialist, can be broadly classified into three types: (A) General non-life personal lines insurance; (B) General non-life commercial lines insurance, which includes SME commercial lines insurance; and (C) Life, pensions and other financial services insurance.

### *General non-life personal lines insurance*

General non-life personal lines insurance is sold to individual customers and includes accident and sickness coverage, household insurance, motor insurance, along with travel and personal accident insurance. Specialist non-life personal lines insurance is sold to individual customers in niche market or those with non-standard risk profiles, such as classic car insurance.

### *General non-life commercial lines insurance*

General non-life commercial lines insurance is sold to commercial customers and includes construction insurance, commercial property insurance, commercial combined insurance, office and contents insurance, professional indemnity insurance, fleet insurance, employer liability insurance, agriculture insurance, marine insurance and transport insurance. SME commercial lines insurance is sold to SMEs. Specialist non-life commercial lines insurance is also sold to commercial customers in niche markets.

### *Life, pensions and other financial services insurance*

Life, pensions and other financial services insurance is sold to individual customers and includes life insurance, pensions, annuities and investment products.

**Insurance supply chain**

There are broadly three main activities in the insurance supply chain:

***Providing risk capital***

Risk taking activity in the insurance supply chain is undertaken by insurance companies who underwrite insurance and expose their balance sheets to loss. Insurance companies earn income (i) from premiums; and (ii) by investing their available reserves, that is, the amount of money at any given time collected in premium but not yet paid out in claims.

Traditionally, insurance companies sold indirectly through intermediaries such as brokers and underwriting agencies but in certain markets and product areas they now also sell insurance directly, via telephone or online. Traditionally, insurance companies also performed all the services necessary for providing insurance, including underwriting, administering insurance policies and handling insurance claims and renewals. Today, many insurance companies outsource these services to intermediaries.

***Distribution***

The distribution of insurance products is carried out by brokers, underwriting agencies and PCWs. In certain markets and product areas, insurers also distribute products directly to customers.

*Brokers*

Broking is the process by which a broker negotiates insurance policy terms for a customer and places that customer's risk with an appropriate insurance company either directly or through an underwriting agency. Customers include businesses, individuals and public institutions, and, in the case of wholesale brokers, other brokers. Brokers connect insurance companies and underwriting agencies with customers in the insurance supply chain and so act as a distribution channel for insurance products. Insurance companies and underwriting agencies, as the case may be, compensate brokers by means of commissions based on premium levels and fees for individual services. In certain cases, brokers will forego some or all of the commission payable by the insurance company and instead be compensated by the customer for the placement service (particularly in personal lines).

*Underwriting agencies*

An underwriting agent serves as an intermediary between an insurance company and a broker or the customer. In addition to providing underwriting services, some underwriting agencies act as MGA by issuing and administering insurance policies and handling insurance claims and renewals on behalf of insurance companies. Such underwriting agencies operate as "virtual insurers", performing most functions of a traditional insurance company including underwriting and pricing, but excluding the provision of capital and the incurrence of liability in respect of insurance claims. The performance of an underwriting agency can be judged by its underwriting results, the amount of total premiums earned minus the cost of claims and operating expenses. Notably, there may be "loss-sharing" arrangements put in place between the insurance company and the underwriting agency that can impact profitability, depending on underwriting performance.

*Price Comparison Websites (PCWs)*

PCWs are internet portals that allow insurance companies and insurance intermediaries to make their insurance products available directly to customers via the internet. Customers can obtain several quotes from insurance companies and insurance intermediaries on aggregator websites by making only one data entry. The insurance company or insurance intermediary with the most appealing (by terms or price) quote issues the insurance policy to the customer and compensates the PCW by means of a referral fee.

PCWs are predominantly used to sell personal motor insurance policies and, to a lesser extent, household insurance policies as well as other personal lines products. PCWs have had a limited impact on the sale of commercial lines (except commercial auto) of insurance due to the complexity of the products and the "off-line" advice sought by commercial customers for most commercial insurance products.

In many cases, the PCW is reliant on another insurance intermediary, such as a broker or an underwriting agency, to fulfill a number of critical activities such as managing the panel of insurers whose products are available on the website. Similarly, an insurer may contract with a broker to manage the insurer's presence on a number of PCWs.

***Service providers***

*Network service providers*

Network service providers offer independent brokers access to insurance products that are not typically available to independent brokers as well as enhanced agency terms, in effect operating as a buying club. Network service providers also offer independent brokers access to certain business support services such as handling of client money, risk & compliance and marketing.

*Service companies*

As insurers, MGAs, brokers and other participants in the insurance market look to improve cost efficiencies in fulfillment, specialists offering business process outsourcing have become more significant in the market. The initial focus of these service providers have been on claims fulfillment, including completion of the first notification of loss, claims validation, litigation services, and other associated claims services. These service providers have also branched out into other areas such as customer services, sales campaign management, premium finance and white-labelled products.

**Insurance market structure and size**

*UK non-life insurance market*

The UK non-life insurance market grew at a 2.3% compound annual growth rate from 2005 to 2018 from premium volume of £57.8 billion to £77.6 billion.

*Source: Fitch Solutions*

*International London market*

The international London market (the "**London Market**") is the largest global center for commercial and specialty risk with an emphasis on high-exposure, complex risk. Key types of risk insured in the London Market include marine, aviation, catastrophe, professional indemnity and product liability. The London Market controlled more than $110 billion of gross written premium in 2018 consisting of $76 billion written directly by London and $34 billion marketed and controlled through London.

*Source: London Market Group, Lloyd's McKinsey & Company*

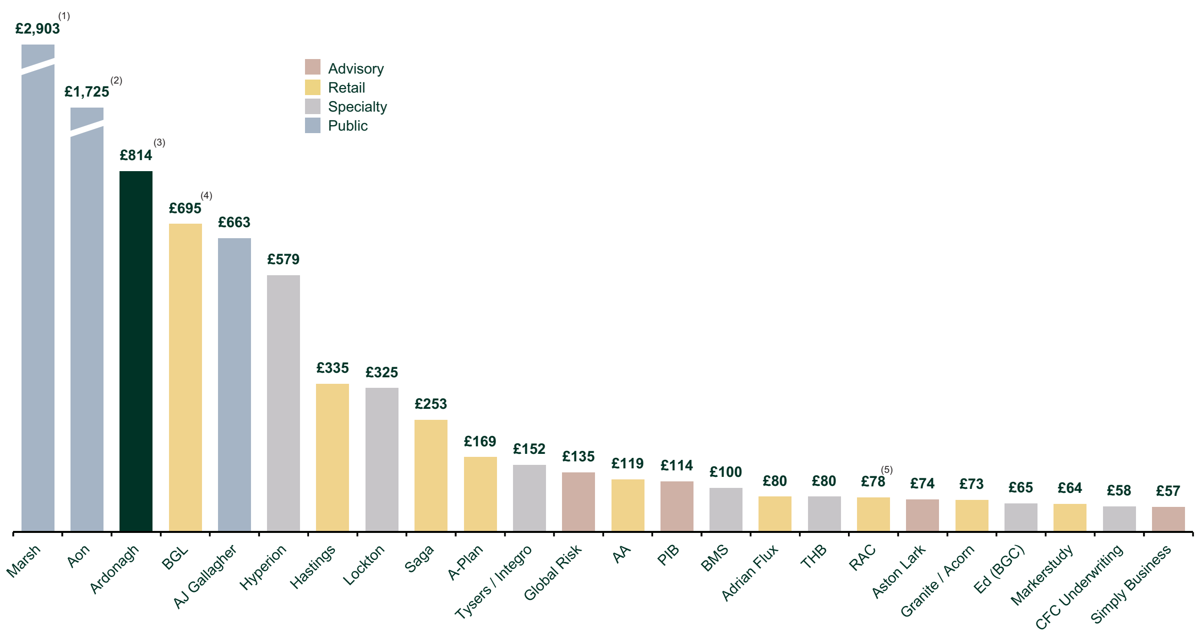
***Industry dynamics and trends***

*Competitive landscape*

UK Insurance Broker Rankings by Income

**Top UK Insurance Brokers by 2018 UK Income**

*(£m)*




*Source: IMAS Corporate Finance, Insurance Times Top 50 Brokers 2019.*

(1) *Pro forma for JLT.*
(2) *Pro forma for the completed acquisition of Miller and the pending acquisition of Willis Towers Watson.*
(3) *Represents Total Pro Forma Income for Completed Transactions for the last twelve months ended March 31, 2020 and acquisitions of Bravo, Arachas, and Bennetts. Includes £44m of income in respect of the Republic of Ireland (Arachas).*
(4) *Includes income from PCW operations.*
(5) *Based on 2018 Insurance and Financial Services segment per 2018 Annual Report. Not included in Insurance Times Top 50.*

The competition for business has been one of the primary factors that has been driving broker consolidation in the UK market in recent years. A variety of factors have driven these acquisitions, including the increase in compliance and administrative costs resulting from new FCA regulations, the aging broker demographic, recognition of the potential for economies of scale and greater profits made available through consolidation. Against the backdrop of this market consolidation, the Ardonagh Group is the leading independent diversified broker in the United Kingdom. The group has a proven track record of M&A across all of its platforms, and believes there remain significant opportunities to acquire brokers of varying sizes, which can add capabilities and customer volumes.

*UK Insurance distribution trends*

Brokers are the primary distribution channel in the UK non-life market.

Client purchasing behavior differs between customer types. Accordingly, brokers account for differing percentages of GWP depending on the type of insurance being transacted with a large majority of commercial premium transacted by brokers compared with a smaller amount of personal lines premium. Brokers will likely remain the dominant SME market distribution channel due to the complexity of covers required and development of digital capabilities.

With the expansion of the internet, the amount of personal insurance products sold by means of PCWs has grown significantly. Expansion is expected to continue at a more modest rate as customers continue to use PCWs. PCWs will likely continue to dominate the standard personal insurance markets, but will increasingly look to other markets both geographically and from a product perspective. PCWs have previously tried to sell other insurance products directly; however, they experience greater success when partnering with existing product specialists. PCWs allow existing product specialists to make their insurance products available directly to customers via the internet, and as such, PCWs are not direct competitors of existing product specialists, but rather serve as intermediaries between them and end customers.

*New emerging risks*

The broker's role in connection with non-standard risks is becoming increasingly important. The market is experiencing an increased appetite for newer risk categories, including cyber, supply chain and legislative, and as more customers look to insure against these new risks, the role of advice and significance of choice will become more important and the reliance on brokers will subsequently increase. This is in particular relevant to any complex, large or otherwise sophisticated risks, which demand a broker-advised sale as opposed to a low involvement sale through PCWs.

*Increase in divestment / redistribution of unprofitable products or processes*

As all participants in the insurance market seek to improve profit margins, there is an increasing trend for organizations to divest and outsource unprofitable products or processes to specialists who charge an administrative fee or take a cut of commission. More of the larger insurers and other insurance intermediaries, such as banks and retailers, are actively using white-labelled products from other insurance providers. MGAs, brokers and other participants in the insurance market have also benefitted from the use and distribution of white-labelled products.

*Increasing reliance on technology*

Technology is playing an increasingly important role in all aspects of the insurance market. Significant investments are required by insurers and their distributors in order to ensure that customer service levels remain high, fraud is controlled, product design is fit-for-purpose and underwriting risk is managed. The use and analysis of data is critical to a successful insurance distribution chain.

## BUSINESS

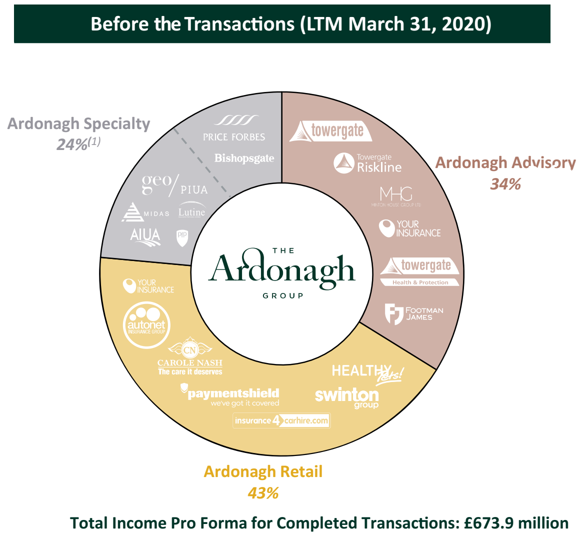
### Our Company

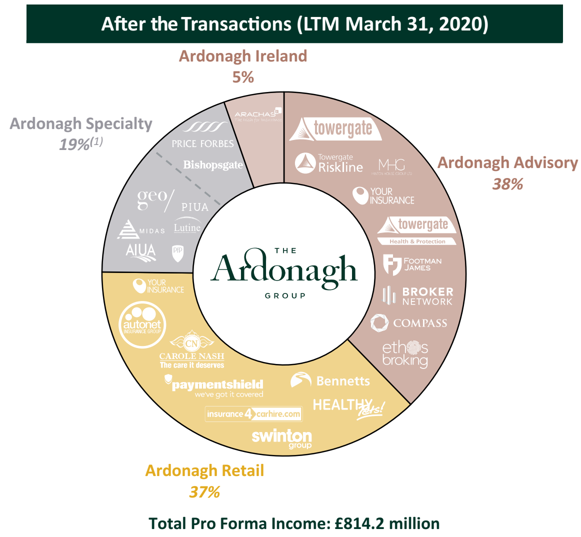
We are the largest independent insurance broker in the United Kingdom and amongst the largest globally (as ranked by total income), providing a full range of insurance products and services across commercial, personal and wholesale insurance markets. We serve a wide range of clients that include large corporations, small and medium enterprises ("**SMEs**"), individual consumers, and other third-party brokers and managing general agents ("**MGAs**"). We work with insurers to design, price, and administer insurance-related products and services that meet a wide variety of market needs, without assuming any underwriting or principal risk. For the twelve months ended March 31, 2020, we generated Total Income Pro Forma for Completed Transactions of £673.9 million and Pro Forma Adjusted EBITDA of £222.2 million. Including the acquisitions of Arachas, Bravo and Bennetts, we would have generated Total Pro Forma Income of £814.2 million and Total Pro Forma Adjusted EBITDA of £275.5 million. See "*Summary Historical Financial Information and Other Data.*"

The Ardonagh Group was created in June 2017 by assembling a highly experienced senior management team and by combining a number of market-leading insurance service providers into a single multi-product and multi-channel platform. Since our creation, we have continued to build our platform through a combination of a sustained focus on organic growth (3.5% for the year ended December 31, 2017, 2.5% for the year ended December 31, 2018, 3.0% for the year ended December 31, 2019 and 3.5% excluding Swinton (4.5% excluding Swinton and the estimated impact of COVID-19) for the three months ended March 31, 2020), a highly disciplined expense strategy (£82.4 million of cost-savings realized since inception, £10.7 million expected in the next twelve months from actions already implemented, and £19.7 million expected from actions that will be implemented over the next twelve months), and a selective acquisition program (sixteen acquisitions since the formation of Ardonagh including the pending acquisitions of Arachas, Bravo and Bennetts), which includes a standardized approach to integration and synergy delivery. Arachas is the leading independent commercial insurance distribution platform in the Republic of Ireland, Bravo is the UK's largest network of independent insurance brokers and a leading consolidator in the UK insurance market, and Bennetts is a leading brand in the motorcycle insurance market.

Our insurance products, which we distribute across multiple channels, are tailored to serve our diverse customer base, ranging from higher value and lower volume bespoke corporate insurance products placed in the London Market, to lower value and higher volume personal lines insurance products distributed through price comparison websites ("**PCWs**"). Each aspect of our business is highly diversified with limited concentration or dependence on any single product, channel, carrier, income producer, or supplier. We combine this diversified operating model with a highly collaborative culture across the Group to provide our clients, carriers, and employees with a best-in-class product and service offering.

Our business is currently organized into three reportable segments, which we refer to as platforms, that focus on distinct but complementary aspects of the insurance brokerage and services market, and will include a fourth platform following the acquisition of Arachas: Ardonagh Advisory (primarily commercial lines and including Bravo post-acquisition), Ardonagh Retail (primarily digital-focused personal lines and including Bennetts post-acquisition), Ardonagh Specialty (primarily corporate, wholesale, MGA and APS), and Ardonagh Ireland (Arachas post-acquisition, primarily commercial lines). See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting Comparability Between Periods—Reporting Segments*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Segmental Results of Operations—Three Months Ended March 31, 2020 Compared to the Three Months Ended March 31, 2019.*"




1) *Includes central Corporate income of £6.7 million.*

***Ardonagh Advisory***

The Ardonagh Advisory platform provides insurance broking products and advice on insurance and risk management to SMEs, large corporations and individual customers. For the twelve months ended March 31, 2020, Ardonagh Advisory generated £228.0 million of Total Income Pro Forma for Completed Transactions and £75.3 million of Pro Forma Adjusted EBITDA (excludes acquisition of Bravo).

As a trusted advisor, we offer tailored insurance broking services to our clients via in-person, telephonic, and online communications, providing them with a broad range of choices and access to specialist products and solutions. We also provide standard non-specialist insurance products tailored to specific sectors or risks that may be more difficult to place elsewhere in the insurance market. The primary lines of coverage in our Advisory platform include motor fleet, commercial, property, liability, professional indemnity, and contractors.

Ardonagh Advisory maintains a strong community focus through our network of 66 local offices across the United Kingdom which is enhanced by our growing online and telephonic channel. SME insurance intermediary products require industry and customer expertise to develop and market effectively, and we believe that SME customers value direct relationship management and advisory services when purchasing such specialized products, which we are able to provide via our local office network.

The acquisition of Bravo is closely aligned with our Advisory platform given its predominant SME focus, and we expect to realize synergies primarily from product and capacity placement optimization. Bravo's segments comprise two network services providers to regional insurance brokers (Broker Network and Compass) as well as an insurance brokerage acquisition platform (Ethos Broking). See "*The Transactions—The Bravo Acquisition.*"

***Ardonagh Retail***

The Ardonagh Retail platform is a primarily digital-focused personal lines platform offering a range of home, car, and specialist products such as van insurance. For the twelve months ended March 31, 2020, Ardonagh Retail generated £287.2 million of Total Income Pro Forma for Completed Transactions and £108.8 million of Pro Forma Adjusted EBITDA (excluding acquisition of Bennetts).

We utilize a data-led distribution strategy focused on online channels, including PCW, complemented by traditional call center support, as well as through third party intermediaries consisting of mainly independent financial advisors and mortgage brokers. We are the UK's largest van broker, and additional areas of our expertise include property-related insurance solutions such as buildings and contents insurance, non-standard household, mortgage payment protection insurance, and landlord insurance products through our Paymentshield brand, which is the largest distributor of such products via independent financial advisors and mortgage brokers in the UK. We also offer a broad range of other specialist products.

The acquisition of Bennetts will provide our Ardonagh Retail platform with additional scale and product capabilities in the highly attractive motorbike insurance sector.

***Ardonagh Specialty***

The Ardonagh Specialty platform combines expertise in specialist underwriting with the placing of bespoke complex risks into Lloyd's of London and the London Market. This platform includes our Lloyd's of London brokerage, managing general agency ("**MGA**"), and Ardonagh Portfolio Solutions ("**APS**") businesses. For the twelve months ended March 31, 2020, Ardonagh Specialty generated £152.0 million of Total Income Pro Forma for Completed Transactions and £49.6 million of Pro Forma Adjusted EBITDA.

Our Lloyd's of London brokers, Price Forbes and Bishopsgate, provide UK and international corporate clients with access to specialist sector insurance products covering a wide range of markets, including energy, North American property, marine, power, aviation, specie, cargo, mining, and terrorism.

MGA primarily focuses on providing bespoke specialist insurance products and services that are sold through brokers such as agriculture, non-standard home, and political violence, for, and on behalf of, our strategic insurer partners. MGA is a full service managing general agency with delegated underwriting authority from insurers and assumes no underwriting liability.

In 2019, we launched APS to leverage the scale of the Group and optimize our product development and capacity placement strategy. APS is built on our powerful data capture from across The Ardonagh Group's various businesses, creating connectivity between segments and developing a "single view" of the client. From this base, APS centrally co-ordinates the most appropriate placement of premiums to drive better solutions for our clients and capital providers, enabling the Group to further monetize its scale. We have already made strong progress across all elements of our APS strategy, and this unit represents a significant area of potential growth for the Group.

***Ardonagh Ireland***

The Ardonagh Ireland platform will be created following the completion of our Arachas acquisition. For the twelve months ended March 31, 2020, Arachas generated £43.5 million of Total Income Pro Forma for Completed Transactions and £21.9 million of Pro Forma Adjusted EBITDA (calculated using an exchange rate of €1.15 to £1.00).

Arachas is the largest SME-focused commercial insurance broker in Ireland, with specialized offerings and a nationwide reach that has allowed the business to quickly gain a leading position in its core markets. Arachas has grown rapidly through a combination of strong organic growth (averaging 7% between 2017 and 2019) and five acquisitions since June 2017 (representing £10 million of acquired EBITDA). Within Ardonagh, Arachas will provide an incremental set of product capabilities and carrier relationships for the broader platform to leverage while further enhancing the Group's leading position, particularly among SME customers. See "*The Transactions—The Arachas Acquisition.*"

***Corporate***

We maintain a non-operating segment comprising central costs and income not allocated to our reportable segments. These costs include Group board costs and Group function costs, including certain legal and regulatory expenses. Income in this non-operating segment primarily relates to interest income and rental income on sublet properties. For the twelve months ended March 31, 2020, Corporate generated £6.7 million in Total Income and (£11.5) million of Pro Forma Adjusted EBITDA.

**Information Technology**

Since early 2016, we have continued to make significant investments into our technology platform to make it scalable and resilient. In August 2019, we signed a five-year contract with IT provider Mphasis to deliver tailored infrastructure services across various parts of The Ardonagh Group, which represents our continued investment into our modern and scalable IT platform, although at a lower level than in prior periods, and is part of our transition to cloud-based data centers and a cloud-based core finance platform, which we believe will result in lower levels of capital expenditures going forward in addition to yielding ongoing operating efficiencies across our businesses. As a result, our business now benefits from market leading and scalable technology platforms that can be leveraged across The Ardonagh Group to allow us to process data more securely, with lower error rates and at lower cost. Investments into our platform have also made it is easier to integrate new acquisitions at low cost and with low integration risk. Such technical capabilities have also made us an attractive partner to third-parties operating in our industry. The resilience of our technology platform has also been tested during the COVID-19 pandemic. On short notice, we were able to leverage our cloud foundation infrastructure to rapidly pivot to 90% remote working capability following the announcement of UK-wide lockdown, thus managing to protect our business.

In an age of growing online threats, we also assign high priority to cyber security. In 2019, we created a new pan-group role by appointing a Chief Information Security Officer (the "**CISO**"). The CISO's team is an independent risk and control team which ensures our divisions maintain our standards with regards to information security. As a result of adoption of such market leading cyber security standards, we have been able to obtain insurance that provides us coverage in the event of a cyber attack.

### Intellectual Property

The Ardonagh Group and our underlying businesses rely on copyright and trademark laws, confidentiality procedures and contractual provisions to protect our intellectual proprietary rights. Many of our businesses maintain their own trademarks and certain of our businesses market their products under a variety of trademarks or brands. Our businesses, in particular those that are customer facing and those with historic name recognition, have developed brand named products and entities that we believe help attract and retain our customer base.

The Ardonagh Group and our underlying businesses have registered internet domain names, which are either used by the businesses to deliver services and information to our customers or held to protect trading names and brands developed by our businesses.

Although we have contributed to the development of certain of the software platforms that we license, the proprietary rights in the intellectual property of these software platforms rests with the licensors in most cases.

We actively take steps to protect our intellectual property rights when and where we deem appropriate. We believe each of our underlying businesses' trademarks and major service and product brands enhance our competitive advantage and are essential to our business. We presently have no patents or patent applications pending.

### Environmental matters

We believe that we do not have any material environmental compliance costs or environmental liabilities.

### Real property

The Ardonagh Group Limited registered office is located at 3rd Floor, 44 Esplanade St. Helier, Jersey, JE4 9WG. We also lease properties in various locations throughout the world including the United Kingdom, Bermuda, Malaysia, South Africa, Dubai, the United States and Europe.

Each of our businesses has historically managed its respective property portfolios internally, supported by Ardonagh Group resources and external specialists where appropriate. These internal property teams are responsible for ensuring that each site is in compliance with the relevant statutory requirements, including health and safety requirements as well as disposing of surplus property.

### Insurance

Our underlying businesses are subject to various actual and potential claims, lawsuits and other proceedings relating principally to alleged errors and omissions in connection with the placement of insurance in the ordinary course of business. We believe that each of our underlying businesses has adequate insurance coverage against all material risks that are typically insured by similar companies with comparable risk exposure. Insurance cover is regularly reviewed and adjusted when necessary; however, one or more of our underlying businesses may incur losses that are not covered by existing policies or that exceed the coverage levels stipulated in the applicable insurance policies. Furthermore, it is possible that we may not be able to maintain adequate insurance coverage at appropriate premiums in the future. See generally "*Risk Factors—Risks Related to Our Business and Industry.*"

**Regulation**

UK-domiciled trading entities within The Ardonagh Group are authorized and regulated by the FCA to carry on insurance broking and other insurance mediation activities in the United Kingdom pursuant to the Financial Services and Markets Act 2000 and its related statutory instruments, in particular with law and regulation flowing from the United Kingdom's implementation of the European Union's Insurance Distribution Directive. Each European Union Member State is required to ensure that the insurance and reinsurance brokers and other intermediaries resident in their country are registered with a competent authority in that country and that each intermediary meets professional requirements in relation to their competence, good repute, professional indemnity cover and financial capacity. In the United Kingdom, this statutory body is the FCA.

Our insurance mediation activities must comply with the FCA Rules and guidelines that impose, amongst other things, a high-level standard on the establishment and maintenance of proper systems and controls and minimum threshold conditions that must be satisfied for an insurance broking firm to remain authorized. The FCA Rules impose certain minimum capital and liquidity requirements on firms as well as an ongoing obligation to regularly provide the FCA with certain information. The FCA has extensive investigative and disciplinary powers. In addition, individuals performing various controlled functions are required to be approved persons under the section 59 of the Financial Services and Markets Act 2000. A number of senior management personnel located within our regulated entities are approved persons and are required to satisfy certain fitness and propriety criteria. The FCA maintains an active supervision of the Group, via a dedicated Supervisor, to assess our compliance with regulatory requirements. This also allows us to work closely with the FCA to address areas of potential regulatory scrutiny.

The FCA plays a critical role in the insurance intermediary industry and is an important stakeholder for The Ardonagh Group. The FCA has been appraised of the development of The Ardonagh Group from the outset of its conception by our management team. We have engaged with the FCA with full transparency and acted swiftly and appropriately when required and will continue to do so in connection with the development of The Ardonagh Group, including in connection with the acquisitions of Bravo and Bennetts. Arachas has no FCA regulated business.

This track record of working with the FCA is demonstrated by the resolution of historic regulatory concerns. Some of our businesses have in the past failed to meet regulatory expectations including those concerning governance and control frameworks and cyber security. Some of these previous failings were referenced in change of control approvals when the Group acquired these businesses, and the Group has implemented structured remediation plans to address these failings to the FCA's satisfaction.

Specifically, the FCA concluded that the previous Towergate Group had significant failings in respect of its governance arrangements, business model, financial stability and with elements of its operational controls which needed to be strengthened. For these reasons, the FCA had put the Group on its 'Watchlist', denoting a high regulatory risk profile. The management of the Ardonagh Group has worked closely with the FCA to resolve these concerns over time, including overhauling risk, compliance and Governance arrangements. During this remediation process (at the end of 2018) Ardonagh acquired Swinton, which was also on the FCA Watchlist. We therefore extended our regulatory remediation plans to address the risks that applied to Swinton (which also included governance and risk management concerns). In January 2020, the FCA confirmed it was satisfied with the remediation of all Watchlist items, including those applying to the previous Towergate and Swinton businesses, and therefore removed the Ardonagh Group's businesses from its Watchlist.

Our board and executive team continue to work closely with the FCA to demonstrate ongoing progress in regulated areas in which previous control weaknesses where identified. Since the formation of The Ardonagh Group, and later including subsequent acquisitions, we have extended consistent control and governance improves across the whole Group, regularly updating the FCA and meeting the timescales we communicated for such integration.

The Paymentshield business has sold and continues to sell mortgage payment protection insurance ("**MPPI**") which has been the subject of industry wide scrutiny by the FCA and the Competition and Markets Authority ("CMA"). Paymentshield's products are not analogous to the payment protection insurance products that have attracted the most FCA scrutiny. Paymentshield's MPPI has no cancellation fees and proportionate refunds are offered, Premiums are payable monthly and are not capitalized upfront as part of the principal amount of the customer's loan. Therefore, the FCA excluded Paymentshield from its 2017 Policy Statement "PS17/3 Payment protection insurance complaints: feedback on CP16/20 and final rules and guidance," as its products were not in scope for this industry inquiry which led to significant customer redress for higher risk products. In addition, Paymentshield policies are distributed by third party regulated brokers responsible for the sales processes, so any mis-selling complaints would relate to the third-party brokers, rather than Paymentshield. Paymentshield has self-reported two procedural breaches to the CMA in respect of errors in Annual Customer Statements, required to be sent under CMA requirements for the MPPI industry. As a result of these breaches, management voluntarily commissioned an external review of its processes, which evidenced that the issue had been addressed, and this was shared with the CMA. The CMA have acknowledged this review and have required that an equivalent review is repeated later this year to demonstrate the control improvements have been maintained.

For information on the ongoing review by the FCA of certain redress matters, see "*—Legal proceedings*" below.

We maintain some operations outside of the UK, including entities registered in the Republic of Ireland and Belgium in order to provide access to the EU. We also maintain small subsidiaries in South Africa, Bermuda, Dubai, Malaysia and the United States, and part of a joint venture in Hong Kong. In each case, local management have established practices which comply with local regulatory requirements. Acknowledging our goal to expand further in Ireland, we note significant similarities between the Irish and UK regulatory regimes. Our existing Irish business has mapped the differences between Irish and UK regulation and has demonstrated that our risk and control framework is appropriate for Irish business, subject to identified minor amendments which have been made. See "*Risk Factors—Risks Related to Our Business and Industry—The United Kingdom's exit from the European Union may adversely impact our business, results of operations and financial condition" and "Risk Factors—Risks Related to Our Business and Industry—If we fail to comply with regulatory requirements or guidelines, we may not be able to conduct business or may be subject to sanctions or substantial fines that may have a material adverse effect on our reputation, results of operations and financial condition."*

As of December 31, 2019, we had a 75% stake in Autonet Law LLP, a personal injury claims firm of solicitors that assists clients who have purchased motor-related legal insurance from Autonet and a 40.5% stake in Carole Nash Legal Services LLP, a legal practice. Autonet Law and Carole Nash Legal Services LLP are regulated by the Solicitors Regulation Authority, the regulator of law firms in England and Wales. CCV Risk Solutions Limited is licensed by the Jersey Financial Services Commission to carry on general insurance mediation business and is subject to the rules and regulations of the Jersey Financial Services Commission. As of December 31, 2019, we also owned a 40% stake in Sino Insurance Brokers Limited in Hong Kong.

**Legal Proceedings**

At any given point in time we are subject to various actual and potential claims, lawsuits and proceedings relating principally to alleged errors, omissions or unfair provisions in connection with the placement of insurance or the provision of financial services advice in the ordinary course of business. As we often assist customers with matters involving substantial amounts of money, including the placement of insurance coverage and the handling of related claims and the provision of financial services advice, errors and omissions claims against us may arise that allege our potential liability for all or part of the amounts in question. Claimants can seek large damages awards and these claims can involve potentially significant defense costs.

In 2014, the FCA commenced a review of redress costs associated with historic advice provided by Towergate Financial in relation to Enhanced Transfer Value ("**ETV**") pension switching products. The FCA also conducted work across several other providers of such products within the industry, prompted by evidence of potential mis-selling of these products. Towergate Financial was a provider of independent financial and mortgage advice and operated outside of Towergate's core UK specialist personal lines and SME markets. On March 16, 2015, prior to the 2015 financial restructuring, Towergate Financial disposed of its assets and stopped all trading of this type. Provisions and contingent liabilities in respect of ETV remained within Towergate. Following significant work by the Ardonagh management team with its regulator, the FCA's external review was decommissioned in early 2019 and a past business review is now being conducted internally by a specialist central team. The Ardonagh board provides oversight of this team and updates the FCA as appropriate. Our redress program began in the third quarter of 2019 and the estimate for the overall cost of redress was increased to £63.5 million as of December 31, 2019 from an initial estimate of £51.0 million as of December 31, 2018. This estimate remains unchanged as of March 31, 2020, based on the settlement experience and additional case reviews progressing to settlement during the second quarter of 2020. As of December 31, 2019, £15.9 million worth of redress payments had been paid, with an additional £9.1 million worth of payments made in the three months ended March 31, 2020. In total, £25.0 million worth of redress payments had been made as of March 31, 2020, reducing the remaining provision for redress payments to £38.5 million as of the same date. For further information, see note 31 to the Ardonagh 2019 Audited Financial Statements and note 22 to the Ardonagh Q1 2020 Unaudited Interim

Financial Statements. As of April 30, 2020, £26.9 million worth of redress payments had been made, leaving an estimated remaining liability of £36.6 million as of April 30, 2020. The ongoing payment of redress has provided confidence in the appropriateness of the remaining provision as it validates the methodology and assumptions used. See also "*Risk Factors—Risks Related to Our Business and Industry—Our business, results of operations and financial condition may be materially adversely affected by the outcome of certain actual and potential claims, lawsuits and other proceedings*."

**Ardonagh Community Trust**

We believe it is important to support the communities that we live and work in. This belief led us to establish the Ardonagh Community Trust ("**ACT**") shortly after the formation of The Ardonagh Group. Through ACT, we match our employees' fundraising efforts up to £200 for any UK registered charity. Through the quarterly grant program, our employees can also access financial support of up to £5,000 for specific charity and community projects. All Ardonagh colleagues receive one paid day a year to volunteer and support a charity or community project, and our national partnership with Mind, the mental health charity, is focused on raising funds and educating our people.

In under three years, ACT has raised over £800,000. This includes matching £66,000 worth of funds raised by our colleagues, awarding £251,000 to local initiatives via our community grant program and donating over £125,000 to Mind. We continue to be passionate about the communities we live and work within and believe it is important to support them in becoming stronger, better and brighter.

## MANAGEMENT

### Board of Directors of Topco and the Issuer

The Directors of Topco and the Issuer are:

| | |
|---|---|
| John Tiner | *Chairman* |
| Clive Bouch | *Director* |
| Patrick Butler | *Director* |
| Vahe Dombalagian | *Director* |
| Scot French | *Director* |
| Aurelio Cusaro | *Alternate Director for Scot French* |
| Matthew Raino | *Alternate Director for Vahe Dombalagian* |
| David Ross | *Chief Executive Officer* |
| Diane Cougill | *Chief Financial Officer* |

The following is biographical information for each of the members of the board of directors of Topco and the Issuer:

**John Tiner CBE (Chairman) appointed June 29, 2015:**

John has been Chairman of the Ardonagh Group (formerly Towergate) since 2015. Since 2011 he has been an independent non-executive director of the board of Credit Suisse Group. In 2016 he founded The Salcombe Brewery Co. where he remains Chairman. For 25 years, up to June 2001, he worked for accountants Arthur Andersen, becoming head of their global financial services practice. There, he led the team that produced the official report investigating the 1995 collapse of Barings Bank for the Bank of England's Board of Banking Supervision. In June 2001, John joined the UK Financial Services Authority (FSA) as Managing Director of the Consumer, Investment and Insurance Directorate. In September 2003, he was appointed Chief Executive of the FSA. In this role, he led the Tiner Review which reformed the regulation of both the life and general insurance industries and which initiated and led a program to improve consumers' understanding of personal finance. Between 2008 and 2013, he was CEO of the Resolution Group, a private investment company which sponsored the formation through M&A of The Friends Life Group Plc, a FTSE 100 company prior to its acquisition by Aviva in 2015. John chairs the Remuneration, Investment and Nomination Committees and is a member of the Group Risk Committee.

**Clive Bouch (Director) appointed January 3, 2017:**

Clive was appointed to the board in January 2017 and chairs the Audit Committee. He currently serves as an independent non-executive director at the Steamship Mutual Insurance London and Bermuda Protection & Indemnity Clubs where he is a member of the Claims, Finance & Nomination and Audit & Risk Committees, and Walker Crips Group plc where he chairs the Audit Committee and is a member of the nominations and remuneration committees. Previously he was a partner at Arthur Andersen and then Deloitte, where he provided audit and advisory services to companies in the financial services industry, latterly specializing in the insurance, asset management and pension sectors. He is a Fellow of the Institute of Chartered Accountants in England and Wales, Fellow of the Chartered Institute for Securities & Investment and a Chartered Insurance Practitioner. Clive chairs the Ardonagh Audit Committee and is a member of the Remuneration and Group Risk Committees.

**Patrick Butler (Director) appointed April 8, 2016:**

Pat spent 26 years of his career at McKinsey, where he led the firm's Retail Financial Services Practice for Europe, the Middle East and Africa (EMEA). Pat is the Chairman of Aledmore Bank and is a Non-Executive Director of Hikma Pharmaceuticals plc. He was previously also a Partner of The Resolution Group, which spans financial services restructuring, the Resolution think tank and Prospect magazine. Pat chairs the Ardonagh Group Risk Committee and is a member of the Audit and Investment Committees.

**Vahe Dombalagian (Director) appointed December 16, 2016:**

Vahe is a Managing Director of Madison Dearborn Partners (MDP), a leading private equity investment firm based in Chicago and significant investor in The Ardonagh Group. He is head of the firm's Financial and Transaction Services team. He currently serves on the boards of directors of The Amynta Group, Ankura

Consulting Group, EVO Payments International, Navacord, NFP Corp. and Nevada Investments Topco Limited, and formerly served on the board of directors of L.A. Fitness International. Vahe is also a non-voting director of Evergreen Parent. Prior to joining MDP, Vahe held positions with TPG and Bear, Stearns & Co. Inc. Vahe holds an M.B.A. from Harvard Graduate School of Business Administration and a B.S. from Georgetown University. Vahe is a member of the Group Risk, Remuneration, Nomination and Investment Committees.

**Scot French (Director) appointed April 2, 2015:**

Scot is a Governing Partner of HPS Investment Partners and is the Portfolio Manager of the Mezzanine Funds. Prior to joining HPS in 2007, he spent three years at Citigroup as a Managing Director and Head of Private Investments for Citigroup Global Special Situations, a credit-focused, on-balance sheet proprietary investment fund. Within Citigroup Global Special Situations, Scot managed a portfolio of private mezzanine and private equity investments in North America, Europe and Latin America. Prior to joining Citigroup, he worked in the Investment Banking Division at Goldman Sachs from 1999 to 2004 and in Mergers & Acquisitions at Salomon Brothers Inc. from 1994 to 1999. Scot began his career at Price Waterhouse from 1992 to 1994. Scot is a graduate of the University of Illinois and a member of the Ardonagh Audit, Group risk, Remuneration, Investment and Nomination Committees.

**Aurelio Cusaro (Alternate Director) appointed June 11, 2019:**

Aurelio is a Managing Director at HPS Investment Partners and currently serves as an Alternate Director for Scot French. Prior to joining HPS in 2012, Aurelio was an Analyst in the Financial Institutions Group in the Investment Banking Division at Goldman Sachs. Before joining Goldman, Aurelio worked as an Analyst in the Financial Institutions Group in Citigroup. Aurelio holds a BS and an MS in Management Engineering from Politecnico di Milano.

**Matthew Raino (Alternate Director) appointed June 11, 2019:**

Matt is a Managing Director at MDP, a leading private equity investment firm based in Chicago and significant investor in The Ardonagh Group. Matt currently serves as an Alternate Director for Vahe Dombalagian. Matt is a member of MDP's Financial and Transaction Services team. He currently serves on the boards of directors of Ankura Consulting Group, Navacord, Nevada Investments Topco Limited, NFP Corp. and EVO Payments International, and formerly served on the board of directors of The Amynta Group. Prior to joining MDP, Matt held positions with Credit Suisse First Boston. He was also an Associate at MDP for two years. Matt holds an M.B.A. from Northwestern University J.L. Kellogg Graduate School of Management and a B.B.A. from University of Michigan.

**David Ross (Chief Executive Officer) appointed March 9, 2016:**

David's appointment as Chief Executive Officer of The Ardonagh Group represented the culmination of a two-year process by shareholders and management to create the market leading independent distribution group in the UK. David became the CEO of Towergate, the original investment by HPS in the UK insurance intermediary industry, in November 2015 and led the business through a period of turnaround and transformation which included stabilising revenue, people, financials, infrastructure and governance. The demonstrable progress made with the Towergate transformation during 2016 and 2017 enabled the creation of the Ardonagh Group in June 2017. David advised MDP and HPS on the acquisition of the other assets required to fulfil the vision during 2015 and 2016. An Insead alumnus, David's career has spanned 29 years on the front line of the insurance industry. This included a 25-year career at Arthur J Gallagher, most recently as the CEO of the International Division, during which time the company underwent a defining period of growth and expansion.

**Diane Cougill (Chief Financial Officer) appointed November 7, 2018:**

Diane is The Ardonagh Group's CFO. She previously held the positions of CFO and Executive Director Insurance at RAC from 2011 to 2017, and led the sale of the company to the Carlyle Group from Aviva in 2011 and subsequently to GIC and CVC. Prior to RAC, Diane held senior positions in Aviva where she worked for seven years, including Chief Risk Officer, Portfolio Director and Financial Control Director. Prior to that, Diane worked in the energy sector with senior finance positions at TXU Europe and Yorkshire Electricity Group. Diane is a qualified chartered accountant and a member of the Ardonagh Investment Committee.

**Principal Committees of The Ardonagh Group**

Our Group board has delegated specific responsibilities to five standing Committees. Our principal committees in operation are set out below.

**Audit Committee**

The principal purpose of the Audit Committee is to exercise oversight on behalf of the board of:

- the integrity of the financial statements and any formal announcements relating to financial performance;
- the framework of internal controls and risk management systems in relation to the financial reporting process and protection of client assets; and
- the effectiveness of the internal audit functions and external auditors.

**Group Risk Committee**

The Committee exercises oversight on behalf of the Group board. Its principal purpose is:

- to consider and recommend to the Group board, for its approval, the Ardonagh Group's Risk Appetite;
- to monitor and assess the key risks and emerging risks identified by management;
- to review, on behalf of the Group board, the Ardonagh Group's Risk Profile and ensure it is in line with the Risk Appetite;
- To exercise oversight over the management of risk and progress regarding the completion of risk mitigation plans;
- to review the appropriateness and effectiveness of the Ardonagh Group's Risk Management Framework of governance, systems and controls; and
- to specifically monitor compliance, relevant regulatory issues, the conduct of the Ardonagh Group business and the maintenance of a prudent culture.

**Remuneration Committee**

The principal purpose of the Committee is:

- to set the over-arching principles and parameters of remuneration policy across the Ardonagh Group;
- to consider and approve the remuneration and performance targets for senior management and Executive Officers and those discharging key functions;
- to consider and approve the remuneration of the Chairman and Executive Directors on the Group board and to determine the remuneration of the Independent Non-Executive Directors of the Group board and Segment boards;
- the award of rights under long term incentive plans and the approval of new bonus and incentivization schemes, including The Ardonagh Group Limited's Management Incentive Plan;
- to approve the terms of and hiring packages for any new hire above limits determined by the Group board from time to time; and
- to approve the leaver status and the fair market value for management equity schemes.

**Nomination Committee**

The principal purpose of the Committee is:

- to ensure that the Group board retains an appropriate balance of skills to support the strategic objectives of the Group and has a formal, rigorous and transparent approach to the recruitment of Directors and senior management;
- ensure there is an effective framework for succession planning for the Group board and senior management;
- to review the structure, balance, size, composition, working arrangements and capability (including the skills, knowledge, experience and diversity) required of the Group and Segment boards and make recommendations to the Group board and Segment boards regarding any changes to their composition; and
- keep the Group and Segment board governance arrangements under review and make recommendations to the Group and Segment boards, as appropriate.

### Investment Committee

The principal purpose of the Committee is to formulate, monitor, review and execute the Group's strategy regarding acquisitions and disposals.

### Segment Boards

In 2019, the Group board proactively evolved the subsidiary governance structure to support our strategic ambitions and reflect our growth into a sizeable financial services Group operating in a highly regulated environment. Holding company boards were established in 2019 for each of our Segments; Advisory, Atlanta, MGA & Binders, Ardonagh Specialty and Paymentshield. The Composition of each Segment board includes at least one independent director, a Group board representative director and the Segment CEO and CFO as members. The purpose of each Segment Board is to exercise oversight and challenge over the execution of the annual plan and the effective management of risk. Each Segment board has established a Risk & Audit committee and all Segment Boards except Paymentshield have established a Remuneration committee. The Segment boards and Committees have all adopted common terms of references and operate within a clearly defined delegated authority set out in the Delegated Authority Framework and also within a clear escalation policy that ensures material matters are escalated to the Group on a timely basis. Each Segment board and Committee has an annual agenda plan which is reviewed and approved on an annual basis.

The Segment boards and Risk & Audit Committees meet quarterly and on an ad-hoc basis when required. The Segment Remuneration Committees will meet at least twice a year and as and when required to consider matters within its remit and make recommendations as appropriate to the Group Remuneration Committee.

### Management Equity Interests

The arrangements for the employee shareholders are currently in the process of being reorganized. This will involve the re-designation of the MIP Shares in Topco as B ordinary shares in the capital of Topco ("**B Shares**") (the "**Reorganization**"). The B Shares will rank economically pari passu with the ordinary shares in Topco, subject to certain restrictions. Following the Reorganization, Topco will also introduce a new management incentive plan which will operate over two new classes of share (the "**New MIP**" and "**New MIP Shares**"). The New MIP Shares will only vest and have value on certain exit events and if certain performance thresholds are met. All B Shares and New MIP Shares will be held on behalf of the Topco Management Shareholders by a nominee, The Ardonagh Nominee Company Limited. The terms of the Reorganization have been approved by Topco board and it is expected that Topco shareholder approval will be sought by the end of June 2020. The Topco B shares have a valuation of £2.10 per share, which would equate to a total equity valuation for Topco of approximately £1.6 billion based on 744 million currently issued shares. Following the Reorganization and Transactions, a large number of employee shareholders will own a significant combined share of the economic interests in the Ardonagh Group.

## SHAREHOLDERS

The share capital of Topco is comprised of 743,859,376 issued ordinary shares of £0.01 and 121,478 issued non-voting MIP shares of £0.01.

The Issuer is a direct subsidiary of Ardonagh Midco 2 and is a direct subsidiary of Ardonagh Midco 1 Limited, which in turn is a direct subsidiary of Topco. Topco is directly and/or indirectly majority-owned through certain funds or accounts managed, advised and/or controlled by HPS and MDP. As of the date of this offering memorandum, 52.8% of the voting interests in The Ardonagh Group Limited ("Topco") are owned by funds managed, advised and/or controlled by HPS Investment Partners, LLC ("HPS") or its affiliates, 42.2% of the voting interests are owned by entities affiliated with Madison Dearborn Partners, LLC ("MDP") and the remaining 5.0%. of voting interests are held by other minority shareholders. See "*Management—Management Equity Interests*."

HPS Investment Partners is a global investment firm with approximately $61 billion of assets under management as of May 1, 2020. HPS was founded in 2007 and manages various strategies that invest across the capital structure, from syndicated leveraged loans and high yield bonds to privately negotiated senior secured debt and mezzanine investments, asset-based leasing and private equity. The scale and breadth of the Firm's platform offers the flexibility to invest in companies large and small, through standard or customized solutions. HPS is headquartered in New York with ten additional offices worldwide and has 145 investment professionals and over 370+ employees globally.

Madison Dearborn Partners, LLC ("MDP"), based in Chicago, is a leading private equity investment firm. Since MDP's formation in 1992, the firm has raised over $26.0 billion of capital and has completed over 145 investments. MDP invests across a broad spectrum of industries, including businesses and government software and services; basic industries; financial and transaction services; health care; and telecom, media and technology services. MDP's objective is to invest in companies with strong competitive characteristics that it believes have the potential for significant long-term equity appreciation. To achieve this objective, MDP seeks to partner with outstanding management teams that have a solid understanding of their businesses as well as track records of building shareholder value. Funds managed by MDP are lead investors in insurance brokers, NFP Corp., The Amynta Group and Navacord Inc., demonstrating MDP's experience in the sector.

## RELATED PARTY TRANSACTIONS

The transactions described below are the most significant transactions between affiliates of our shareholders and the entities in The Ardonagh Group. We may enter into transactions with related parties or affiliates from time to time in the ordinary course of business and related parties may provide lending, advisory or investment services to the Ardonagh Group from time to time, and may receive customary fees and reimbursement of costs in respect thereof. All sales to and purchases of services from related parties are conducted on an arm's length basis. We believe these agreements are on terms no more favorable to the related parties or our affiliates than they would expect to negotiate with disinterested third parties.

### Bravo

In January 2018, we received £30.0 million cash from Nevada 2, the ultimate parent company of Broker Network and Countrywide, in respect of the sale of our 19.9% shareholding in Bravo to Nevada 2. The cash received plus an additional £1.2 million was subject to a contingent clawback clause dependent upon the future performance of the business. Nevada 2 was then a related party of The Ardonagh Group due to common shareholders. Nevada 2 subsequently sold its shares in Bravo and its rights and obligations under the sale and purchase agreement to Nevada 4. We acquired Nevada 2 on January 31, 2019, at which time Bravo was no longer a part of the Nevada 2 Group.

Following an amendment of the agreement on July 1, 2019, the settlement date for the contingent clawback is a date between January 19, 2020 and September 30, 2020, at our election, and settlement may be in cash or equity of the Company. We recognized a deferred proceeds liability of £15.0 million in relation to this clawback mechanism at December 31, 2019. For further information, see notes 18 and 27 of the Ardonagh 2019 Audited Financial Statements and note 20 of the Ardonagh Q1 2020 Unaudited Interim Financial Statements. As part of the Transactions, the clawback amount will become an intercompany liability within the Ardonagh Group.

For the year ended December 31, 2019, we supplied services of £170,788 to Bravo and a balance of £64,315 was outstanding on December 31, 2019. For the year ended December 31, 2018, we supplied services of £182,177, and a balance of £374,092 was outstanding on December 31, 2018.

On , 2020, we entered into the Bravo Acquisition Agreement with funds managed by our shareholders, HPS and MDP, to acquire Nevada 4 which is the holding company of Bravo. See "*Summary—The Transactions—The Bravo Acquisition.*"

### Arachas

On , 2020, we entered into the Arachas Acquisition Agreement with funds managed by our shareholder, MDP, to acquire Nevada 5 TopCo, the holding company of Arachas. See "*Summary—The Transactions—The Arachas Acquisition.*"

### Nevada 2

On January 31, 2019, we acquired Nevada 2, from HPS and MDP who are our majority shareholders for consideration of £67.0 million principal amount of Convertible Equity Certificates of £0.01 each. The Convertible Equity Certificates were subsequently converted to 50,489,826 ordinary shares in the Company. Nevada 2 was the indirect holding company of Minton House Group Limited, Health and Protection Solutions Limited and Professional Fee Protection Limited on January 31, 2019.

### Management Equity Interests

Employees and directors hold shares in Topco and certain of its subsidiaries. See note 33 of Ardonagh 2019 Financial Statements for the status of share based payments as of December 31, 2019. Also see "*Management—Management Equity Interests.*"

### Ankura Trust Company

Ankura Trust Company, LLC is an affiliate of the Ardonagh Group, as our second largest shareholders, investment funds managed by MDP, are indirect shareholders of, and indirectly control, Ankura Trust Company, LLC, which is the Trustee, Security Agent, Registrar, Paying Agent and Transfer Agent. HPS, our largest shareholder, is a debt investor in Ankura Trust Company, LLC. See "*Risk Factors—Risks Related to the Notes, the Notes Guarantees and the Collateral—The interests of our principal shareholders may conflict with your interests.*"

**Directors' Loans**

Loans to Directors of £7.2 million were brought into the Group as a result of the purchase of Nevada Investment Topco Limited on June 22, 2017. Loans to Directors consisted of four individual loans of which three were forgivable at different periods. The loan with the longest maturity date matures in 2020. At the date of acquisition of Nevada Investment Topco Limited in 2017, the three forgivable loans had a fair value of zero, as it is the intention of the Directors to forgive these loans in line with the terms of the individual agreements. The value of Directors' loans held on our balance sheet as of March 31, 2020 was £1.2 million.

**Transactions with shareholders**

In the year ended December 31, 2019, the Group paid costs of £20,861 on behalf of HPS. The balance outstanding at December 31, 2019 was £247,861 as compared to the balance outstanding at December 31, 2018 which was £227,000.

## DESCRIPTION OF OTHER INDEBTEDNESS AND FINANCING ARRANGEMENTS

*The following is a summary of the material terms of our principal financing arrangements in addition to the Notes after giving effect to the Transactions. The following summaries do not purport to describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the actual agreements. The terms of the Senior Secured Credit Facilities Agreement and the Intercreditor Agreement described in this section are not final and are subject to change. Capitalized terms used in the following summaries not otherwise defined in this offering memorandum have the meanings ascribed to them in the respective agreement.*

### Senior Secured Credit Facilities Agreement

*Overview and Structure*

On or prior to the Issue Date, in connection with the Transactions, Ardonagh Midco 3 PLC (the "Company") will enter into a senior secured credit facilities agreement with, among others, Ares Management Limited as the administrative agent and security agent and the mandated lead arrangers and original lenders thereunder (the "Senior Secured Credit Facilities Agreement"). The Senior Secured Credit Facilities Agreement provides for a senior secured term loan facility in a principal amount of up to £1,575 million equivalent, comprising of a €180 million euro tranche ("Facility B1 (EUR)") and a sterling tranche in the remaining amount ("Facility B1 (GBP)," and together with Facility B1 (EUR), "Facility B1"), a senior secured delayed draw multi-currency term loan facility in a principal amount of up to £300 million ("Facility B2") and a super senior multicurrency revolving credit facility in a principal amount of up to £171.5 million (the "Revolving Credit Facility"). The LC Facility of £50 million will be replaced by a new LC facility in the same amount. The Revolving Credit Facility and the LC Facility are designated as super senior liabilities in accordance with, and subject to, the Intercreditor Agreement.

For the purposes of this description: (i) Facility B1 is referred to as the "Term Facility"; (ii) Facility B2 is referred to as the "CAR Facility"; (iii) Facility B1 and the CAR Facility are together referred to as the "Senior Facilities"; (iv) the Revolving Credit Facility is referred to as the "Super Senior Facility"; and (v) the Senior Facilities and the Super Senior Facility are together referred to as the "Secured Credit Facilities", in each case for the purposes of this description.

The Term Facility may be utilized by the Company. The Term Facility may be applied in or towards (directly or indirectly): (i) financing or refinancing any amounts payable under or in connection with the Arachas Acquisition, the Bravo Acquisition and the Bennetts Acquisition (including, for the avoidance of doubt, any interest payments and adjustments (however structured)); (ii) refinancing, replacing, cash collateralising, back-stopping or otherwise discharging outstanding indebtedness made available to or guaranteed or secured by any member of the Arachas Group, any member of the Bravo Group and any member of the Bennetts Group and paying any related breakage costs, redemption premium, make-whole costs and other fees, costs and expenses; (iii) financing or refinancing the payment of any fees, costs, expenses and other amounts incurred in connection with the Transaction; (iv) any other purpose contemplated by the the tax structure memorandum delivered as a condition precedent under the Senior Secured Credit Facilities Agreement ("Tax Structure Memorandum"); and/or (v) to the extent not applied for a purpose set out in paragraphs (i) to (iv) above, financing or refinancing the general corporate purposes and/or working capital requirements of the Company and its subsidiaries (the "Borrower Group"). The Term Facility may be utilized in sterling or euro tranches.

The CAR Facility may be utilized by the Company and any additional borrower incorporated in the United Kingdom (or any jurisdiction or political sub-division thereof), Ireland, Delaware or New York or any other jurisdiction approved by the lenders under the CAR Facility (acting reasonably). The CAR Facility may be applied in or towards (directly or indirectly) financing or refinancing any (i) capital expenditure and expenditure in respect of income hires; (ii) permitted acquisitions, investments (other than investing directly in cash or cash equivalent investments) and/or joint ventures; (iii) operational restructurings and reorganisation requirements of the Borrower Group; (iv) arrangement fees, original issue discount, ticking fees, commitment fees and/or other financing fees required to be paid in connection with the CAR Facility; (v) any other purpose contemplated by the Tax Structure Memorandum; (vi) fees, costs and/or expenses payable in connection with any of the foregoing; and/or (vii) repayment of any Revolving Credit Facility utilisations or other revolving debt or replacement cash of the Borrower Group or any acquisition target used for the purpose of any other foregoing, *provided that* to the extent that such amounts refinance capital expenditure or permitted acquisitions, investments and/or joint ventures and/or operational restructurings and reorganisation requirements of the Borrower Group originally funded from other sources pursuant paragraphs (i) and/or (ii) and/or (iii) above, such refinancing must take place within six (6) months thereof and such amounts shall not be used to fund working capital requirements, increase cash held by a member of the Borrower Group (subject to certain exceptions) or to fund an invesment in cash equivalent investments. The CAR Facility may be utilized in sterling, euros, U.S. dollars, Canadian dollars and certain other currencies readily available in the relevant interbank market (subject to obtaining the consent of all the relevant CAR Facility lenders).

The Revolving Credit Facility may be utilized by the Company and any additional borrower incorporated in the United Kingdom (or any jurisdiction or political sub-division thereof), Ireland, Delaware or New York or any other jurisdiction approved by all the lenders under the Revolving Credit Facility (acting reasonably). The Revolving Credit Facility may be applied in or towards (directly or indirectly): (i) financing or refinancing the general corporate purposes and/or working capital requirements of the Borrower Group and/or (ii) any other purpose contemplated by the Tax Structure Memorandum. The Revolving Credit Facility may be utilized in sterling, euros, U.S. dollars, Canadian dollars and certain other currencies readily available in the relevant interbank market (subject to obtaining the consent of all the relevant Revolving Credit Facility lenders) by the drawing of cash advances, the issue of letters of credit and ancillary facilities (on a bilateral and fronted basis).

On and from the Issue Date, in addition to the Secured Credit Facilities, the Senior Secured Credit Facilities Agreement includes (in addition to other permissions under the limitation on indebtedness covenant) the ability (without double counting against the limitation on indebtedness covenant) to incur additional indebtedness by way of one or more uncommitted additional facilities within the Senior Secured Credit Facilities Agreement subject to certain customary conditions and provided that no such additional indebtedness which comprises a term facility may be utilised unless the CAR Facility has been utilised and/or cancelled in full, it constitutes or refinances acquired indebtedness or is to be used for a purpose which cannot be applied with proceeds of the CAR Facility or in a currency in which the CAR Facility is not available to be utilised (subject to certain exceptions).

*Availability*

The Term Facility will be available for the period from (and including) the date of the Senior Secured Credit Facilities Agreement to (and including) a long stop date to be agreed.

The CAR Facility will be available for the period from (and including) the date on which the first utilisation of the Term Facility occurs (the "Closing Date") to (and including) the date falling twenty four (24) months after the Closing Date, provided that the CAR Facility will only be available to be utilised if, on or prior to the date falling twelve (12) months after the Closing Date, Consolidated Senior Net Leverage Ratio (as defined below) does not exceed 6.50:1 or, thereafter, does not exceed 5.90:1 (in each case, pro forma for the drawdown and usage of the CAR Facility).

The Revolving Credit Facility will be available for the period from (and including) the Closing Date to (and including) the maturity date of the Revolving Credit Facility.

*Conditions Precedent*

Utilizations of the Secured Credit Facilities are subject to customary conditions precedent.

*Interest and Fees*

Loans under the Secured Credit Facilities will initially bear cash interest at rates per annum equal to EURIBOR for loans denominated in euro, CDOR for loans denominated in Canadian dollars or LIBOR for loans denominated other than in euro or Canadian dollars, plus an applicable margin. In the case of the Senior Facilities, the applicable margin will be subject to a margin ratchet based on the ratio of consolidated net debt to consolidated pro forma EBITDA ("Consolidated Net Leverage Ratio") but excluding from consolidated net debt any indebtedness which constitutes Topco Liabilities (as defined in the Intercreditor Agreement) (or the proceeds thereof) ("Consolidated Senior Net Leverage Ratio"). In the case of the Super Senior Facility, the applicable margin will be subject to a margin ratchet based on the Consolidated Net Leverage Ratio but excluding from consolidated net debt any indebtedness which is not Senior Secured Liabilities (as defined in the Intercreditor Agreement) ("Consolidated Senior Secured Net Leverage Ratio"). If EURIBOR is less than zero (0), EURIBOR shall be deemed to be one per cent. (1.00%) in respect of Senior Facility loans or zero (0) for Super Senior Facility loans. If CDOR is less than zero (0), CDOR shall be deemed to be zero point seven five per cent. (0.75%) in respect of CAR Facility loans or zero (0) for Revolving Credit Facility loans. If LIBOR is less than zero (0), LIBOR shall be deemed to be zero point seven five per cent. (0.75%) or, in respect of USD, one per cent. (1.00%), in each case in respect of Senior Facility loans, or zero (0) for Super Senior Facility loans.

The Company may (in its sole discretion) elect that up to 27.5% of the margin payable on any Senior Facility loan on the last day of any interest period commencing prior to the end of the sixth complete financial quarter falling after the Closing Date shall be capitalised at the percentage rate per annum determined in accordance with the margin ratchet described above for the applicable Senior Facility loan plus 0.75% per annum (the "PIK Interest Rate") on the last day of the applicable interest period and thereafter treated as part of the principal amount of the applicable loan.

A commitment fee will be payable on the aggregate undrawn and uncancelled amount of the CAR Facility and the Revolving Credit Facility from the Closing Date to the end of the availability period applicable to the CAR Facility or Revolving Credit Facility (as applicable) at a rate of 30% of the applicable margin for the CAR Facility or Revolving Credit Facility (as applicable). Commitment fees will be payable quarterly in arrears (unless otherwise elected by the Company), on the last day of the availability period applicable to the CAR Facility or Revolving Credit Facility (as applicable) and if cancelled in full, on the cancelled amount of the relevant lender's commitment at the time the cancellation is effective.

Default interest will be calculated as an additional 1% on the defaulted amount.

*Repayments*

The loans made under the Term Facility and the CAR Facility will be repaid in full on the date falling six (6) years after the Closing Date. In respect of the Revolving Credit Facility, each advance will be repaid on the last day of the interest period relating thereto, subject to an ability to roll over cash drawings. All outstanding amounts under the Revolving Credit Facility will be repaid on the date falling five and a half (5.5) years after the Closing Date. Amounts repaid by the borrowers on loans made under the Revolving Credit Facility may be reborrowed, subject to certain conditions.

*Voluntary and Mandatory Prepayment*

The Senior Secured Credit Facilities Agreement will permit voluntary prepayments to be made subject to prepayment fees (as described below). The Senior Secured Credit Facilities Agreement will require mandatory prepayment in full or in part in certain circumstances, including:

- on an initial public offering which does not constitute a change of control (with the percentage of proceeds to be prepaid subject to Consolidated Senior Net Leverage Ratio) ("Listing Prepayment"); and
- from certain net cash proceeds received by the Borrower Group from certain asset disposals and insurance claims, to the extent not otherwise applied for a permitted purpose and required to be applied in prepayment of the Secured Credit Facilities and subject to a de minimis amount (with the percentage of proceeds to be prepaid subject to Consolidated Senior Net Leverage Ratio) ("Excess Proceeds Prepayment").

Upon the occurrence of a change of control (as defined in the Senior Secured Credit Facilities Agreement) or a sale of all or substantially all the businesses and assets of the Borrower Group, each lender shall be entitled to require prepayment of its commitments within a prescribed time period ("Change of Control Prepayment"). A change of control shall include:

- at any time prior to a Listing, the initial investors cease (directly or indirectly) to (i) have the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to appoint directors or other equivalent officers of the Company which control the majority of the votes which may be cast at a meeting of the board of directors of the Company or (ii) own and control (whether by way of ownership of shares, proxy, contract, agency or otherwise) more than fifty per cent. (50%) of the issued voting share capital of the Company;
- upon and at any time after a Listing, the initial investors cease (directly or indirectly) to beneficially own and control (whether by way of ownership of shares, proxy, contract, agency or otherwise) more than thirty per cent. (30%) of the issued voting share capital of the Company; or
- the Issuer ceases to directly own and control all of the issued share capital of the Company.

If a voluntary prepayment or a Change of Control Prepayment (including upon a Listing) is made in respect of a Senior Facility loan (a) prior to the second anniversary of the Closing Date, a make whole premium equal to the greater of (i) the net present value of all required interest payments due on the principal amount subject to such prepayment from the prepayment date to the second anniversary of the Closing Date and (ii) one per cent. (1%)

of principal amount subject to such prepayment, will be payable and (b) on or after the second anniversary of the Closing Date but prior to the third anniversary of the Closing Date, a prepayment fee equal to one per cent. (1%) of the principal amount so prepaid, will be payable provided that, in each case no make whole premium or prepayment fee shall be payable in respect of prepayments in an aggregate principal amount up to five per cent. (5.00%) per annum of the aggregate principal amount of loans under each of Facility B1 and the CAR Facility (respectively) that have been utilised on and from the Closing Date.

*Guarantees and Security*

Subject to the Agreed Security Principles, and the terms of the Senior Secured Credit Facilities Agreement, the Secured Credit Facilities shall be initially guaranteed by the Company and shall subject to the Agreed Security Principles be initially secured by a first ranking (i) limited recourse share pledge over the share capital of the Company held by the Issuer; (ii) limited recourse security assignment of the structural intercompany receivables owed to the Issuer by the Company; and (iii) debenture in respect of all or substantially all of the Company's business and assets (including over the share capital of its direct subsidiary held by it and its material bank accounts (without control over use)). Subject to the Agreed Security Principles and certain adjustments in the Senior Secured Credit Facilities Agreement, the Company is required to ensure that (i) members of the Borrower Group that generate at least 85% of consolidated *pro forma* EBITDA and (ii) each member of the Borrower Group that generates over five per cent. (5.00%) or more of consolidated *pro forma* EBITDA, are guarantors under the Senior Secured Credit Facilities Agreement and grant certain security on the date falling ninety (90) days after the Closing Date and on the date falling ninety (90) days after the date on which the quarterly financial statements or annual financial statements of the Company are required to be delivered to the agent under the Senior Secured Credit Facilities Agreement.

The provision and the terms of the security and guarantees set forth above will in all cases be subject to certain limitations and are at all times and in all cases subject to the requirements of applicable law and the other matters set forth in the Senior Secured Credit Facilities Agreement.

*Representations and Warranties*

The Senior Secured Credit Facilities Agreement contains certain representations and warranties (subject to certain agreed qualifications and with certain representations being repeated), including but not limited to: (i) status, binding obligations, non-conflict with other obligations, power and authority, validity and admissibility in evidence, governing law and enforcement, consents, filings and laws applicable to operations and pari passu ranking; (ii) no insolvency, no litigation, environmental laws, taxation, and filing; (iii) no default, financial statements, group structure, and no misleading information in relation to the financial model relating to the Borrower Group and certain diligence reports provided; (iv) no liens, guarantees or indebtedness, except as permitted; (v) legal ownership; (vi) intellectual property and pension schemes; (vii) acquisition documents and investment companies,; and (viii) compliance with sanctions and anti-corruption laws.

Certain representations and warranties are made on the date of signing the Senior Secured Credit Facilities Agreement and on the Closing Date and/or the relevant acquisition completion date and will be repeated on the date of each utilization, on the first day of each interest period and at certain other times.

*Covenants*

The Senior Secured Credit Facilities Agreement contains certain incurrence covenants and related definitions (with, in each case, certain adjustments), including, but not limited to, (i) limitations on indebtedness; (ii) limitations on restricted payments; (iii) limitations on liens; (iv) limitations on sale of assets and subsidiary stock; (v) limitations on affiliate transactions; (vi) merger and consolidation – company; and (vii) merger and consolidation – guarantors.

In addition, the Senior Secured Credit Facilities Agreement also requires the Company and certain of its restricted subsidiaries to observe certain other customary positive and negative covenants, subject to certain exceptions and grace periods, including, but not limited to, covenants relating to: (i) authorizations; (ii) compliance with laws; (iii) pari passu ranking; (iv) insurances; (v) payment of taxes; (vi) pension schemes; (vii) compliance with certain environmental laws; (viii) acquisition agreements; (ix) maintenance of centre of main interests; (x) provision of guarantees and security, further assurance and accession to the Intercreditor Agreement; (xi) controlled debt; (xii) compliance with sanctions and anti-corruption laws; (xiii) access; (xiv) preservation of assets; (xv) margin regulations; (xvi) qualifying listings and ratings trigger; (xvii) annual, quarterly and monthly financial statements; (xviii) compliance certificates; and (xix) annual budget.

Solely for the benefit of the lenders participating in the Senior Facilities, the Senior Secured Credit Facilities Agreement requires that, Consolidated Senior Net Leverage Ratio (as defined above) on the last day of the 12 month period ending on each quarter date on or after March 31, 2021 in respect of that period will not exceed 9.50:1 for the first five (5) such test dates, stepping down by 0.50x after each four (4) test dates thereafter and flat lining at 8.00:1 (the "Senior Financial Covenant"). The lenders participating in the Super Senior Facility will also benefit from a financial covenant which is tested by reference to Consolidated Senior Net Leverage Ratio and set with an additional ten per cent. (10.00%) headroom above the Senior Financial Covenant (the "Super Senior Financial Covenant" and together with the Senior Financial Covenant, the "Financial Covenants"). Consolidated Senior Net Leverage Ratio is based on the definitions and adjustments in the Senior Secured Credit Facilities Agreement, which may differ from similar definitions in the Indenture and the equivalent definitions described in this offering memorandum.

The Senior Secured Credit Facilities Agreement contains an equity cure provision enabling the shareholders of the Company to make shareholder injections by way of debt and/or equity to the Company to (i) increase the consolidated pro forma EBITDA under the Senior Secured Credit Facilities Agreement ("EBITDA Cure") or (ii) decrease consolidated net debt as defined in the Senior Secured Credit Facilities Agreement. The equity cure right may not be exercised on more than five (5) occasions during the term of the Secured Credit Facilities and may not be utilized on more than two (2) occasions during any four (4) consecutive financial quarters and the EBITDA Cure right may not be exercised on more than one (1) occasion during the term of the Secured Credit Facilities, and the amount of any EBITDA Cure may not exceed the amount required to make the relevant cure.

*Events of Default*

The Senior Secured Credit Facilities Agreement provides for substantially the same events of default as under the Notes. In addition, the Senior Secured Credit Facilities Agreement provides for additional events of default, subject to customary materiality qualifications and grace periods, including, but not limited to, (i) breach of the Financial Covenants, provided that, in the event of such breach, only a majority of the lenders with the benefit of the relevant Financial Covenant will be entitled to take enforcement action; (ii) inaccuracy of a representation or statement when made; (iii) invalidity and unlawfulness or repudiation or rescission of the Secured Credit Facilities financing documents; and (iv) material failure to comply with the Intercreditor Agreement.

*Governing Law*

The Senior Secured Credit Facilities Agreement and any non-contractual obligations arising out of or in connection with it, are governed by, construed in accordance with and will be enforced in accordance with English law although the information undertakings, restrictive covenants, events of default and related New York law definitions of the Senior Secured Credit Facilities Agreement and such non-contractual obligations arising out of or in connection with such information undertakings, restrictive covenants, events of default and related New York law definitions will be interpreted in accordance with New York law (without prejudice to the fact that the Senior Secured Credit Facilities Agreement is governed by English law).

**Intercreditor Agreement**

*General*

To establish the relative rights of certain of our creditors under our financing arrangements, the Issuer, the Trustee and the security agent for the Topco Creditors (the "Topco Security Agent") will accede (the "Accession") to an Intercreditor Agreement between, among others, the Company, the Post-Closing Guarantors, the agent, arrangers and lenders under the Senior Secured Credit Facilities Agreement and the security agent for the Secured Parties other than the Topco Creditors (the "Priority Security Agent" and, together with the Topco Security Agent, the "Security Agents").

By accepting a Note, holders of the Notes will be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement.

The Intercreditor Agreement is governed by English law and sets out various matters governing the relationship of the creditors to our group including the relative ranking of certain debt of the Issuer, the Guarantors and any other person that becomes party to the Intercreditor Agreement as a Debtor or Third Party Security Provider, when payments can be made in respect of debt of the Debtors or Third Party Security Providers, when enforcement action can be taken in respect of that debt, the terms pursuant to which certain of that debt will be subordinated upon the occurrence of certain insolvency events and turnover provisions and provisions related to the enforcement of shared security.

The following description is a summary of certain provisions contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety and we urge you to read that document because it, and not the discussion that follows, defines certain rights of the holders of the Notes and of the Trustee. Capitalized terms used but not defined herein have the meanings given to them in the Intercreditor Agreement.

For the purposes of this description:

"*Senior Secured Group*" shall mean Ardonagh Midco 3 PLC (the "Company") and any of its Restricted Subsidiaries.

References to the "Topco Notes" shall include (upon Accession) the Notes and any other notes, securities or other debt instruments issued or to be issued by or in relation to which a New Debt Financing (as defined below) has been made available to or by a Topco Borrower which are designated by the Company as Topco Notes.

The Intercreditor Agreement uses the term "Topco" to refer to the Issuer, "Topco Notes Liabilities" to refer to (upon Accession) the Notes and certain other indebtedness of the Issuer and "Topco Notes Trustee" to refer to the Trustee.

***Ranking and Priority***

*Priority of Debts*

The Intercreditor Agreement provides that the liabilities owed by the Company and each other debtor under the Intercreditor Agreement (together, the "Debtors") (other than the Issuer and any member of the Senior Secured Group which is designated as a Topco Borrower under the Intercreditor Agreement provided that no such designation shall be made until the Senior Secured Liabilities under the Senior Secured Credit Facilities Agreement have been discharged in full (a "Topco Borrower")) shall rank in right of priority and payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

(i) first, liabilities owed to (A) the lenders, issuing banks and ancillary lenders in relation to the Senior Secured Credit Facilities Agreement or any future senior secured facilities agreements (a "Permitted Senior Secured Facilities Agreement") (to the extent it holds senior commitments) (the "Senior Lender Liabilities"), (B) the lenders, issuing banks, and ancillary lenders in relation to the Senior Secured Credit Facilities Agreement or any future super senior facilities agreement (a "Permitted Super Senior Secured Facilities Agreement") (to the extent it holds super senior commitments) (the "Super Senior Lender Liabilities") and any hedge counterparty under a hedging agreement that is designated by the Company as super senior (the "Super Senior Hedging Liabilities and, together with the Super Senior Lender Liabilities, the "Super Senior Liabilities" and creditors thereof being the "Super Senior Creditors"), (C) any trustee in relation to future senior secured notes (each a "Senior Secured Notes Trustee") (other than certain amounts paid to it in its capacity as trustee), the holders of the future senior secured notes (the "Senior Secured Notes") (the "Senior Secured Notes Liabilities"), (D) the lender under any future loan made by the issuer of any Senior Secured Notes (if so designated by the Company in its discretion and not including, for the avoidance of doubt, the Company) to a member of the Senior Secured Group for the purposes of on lending the proceeds of any Senior Secured Notes together with any additional or replacement loan made on substantially the same terms (a "Senior Secured Notes Proceeds Loan" and the liabilities to the lenders under a Senior Secured Notes Proceeds Loan being the "Senior Secured Notes Proceeds Loan Liabilities"), (E) the arrangers, agents, issuing banks and lenders under any cash management facility (a "Cash Management Facility" and the liabilities under a Cash Management Facility being the "Cash Management Facility Liabilities"), (F) the hedge counterparties in relation to any hedging agreements that are not Super Senior Liabilities together with the hedging designated by the Company as being Super Senior Liabilities (the "Hedging Liabilities"), (G) the lenders in relation to any future second lien facility agreement (a "Second Lien Facility Agreement" and the liabilities to the lenders under a Second Lien Facility Agreement being the "Second Lien Lender Liabilities" and creditors thereof being the "Second Lien Lenders"), (H) any second lien notes trustee (other than certain amounts paid to it in its capacity as trustee), the holders of any future second lien notes (being the "Second Lien Noteholders and, together with the Second Lien Lenders, the "Second Lien Creditors") and the Priority Security Agent in relation to any second lien notes (such second lien notes being "Second Lien Notes" and the liabilities in respect of such Second Lien Notes being the "Second Lien Notes Liabilities" and together with the Second Lien Lender Liabilities, the "Second Lien Liabilities"), (I) any arranger in connection with the aforementioned liabilities, (J) any agent or trustee under any finance documents relating to any of the aforementioned liabilities, any agent or trustee under the Topco Liabilities (as defined below) and to any agent or trustee in relation to certain other unsecured liabilities (together the

"Agent Liabilities"), and (K) the Priority Security Agent and (upon Accession) the Topco Security Agent, *pari passu* and without any preference between them; and

(ii) second, all liabilities owed (A) to (upon Accession) the Trustee (other than certain amounts paid to it in its capacity as Trustee), and the holders (the "Topco Noteholders") of the Notes and any future notes issued by or in relation to which a New Debt Financing (as defined below) has been made available to or by a Topco Borrower and designated by the Company as Topco Notes and the Topco Security Agent in relation to such Topco Notes (the "Topco Notes Liabilities"), (B) the lenders (the "Topco Lenders" and, together with the Topco Noteholders, the "Topco Creditors") under any future loan facility made available to any Topco Borrower (the "Topco Facility Liabilities" and together with the Topco Notes Liabilities, the "Topco Liabilities"), (C) any arranger in connection with the aforementioned liabilities, and (D) the liabilities owed under any future loan (a "Topco Proceeds Loan") made by any Topco Borrower for the purpose of on lending the proceeds of any Topco Notes or Topco Loans (the "Topco Proceeds Loan Liabilities"), *pari passu* and without any preference between them.

The Intercreditor Agreement provides that the liabilities owed by any Topco Borrower to the Secured Parties (as defined below) shall rank *pari passu* in right and priority of payment and without any preference between them in respect of (i) the Senior Lender Liabilities, (ii) the Super Senior Liabilities, (iii) the Senior Secured Notes Liabilities, (iv) the Cash Management Facility Liabilities, (v) the Hedging Liabilities, (vi) the Second Lien Lender Liabilities, (vii) the Second Lien Notes Liabilities, (viii) the Topco Liabilities, (ix) the Topco Proceeds Loan Liabilities, (x) the Agent Liabilities, and (xi) any arranger in connection with the aforementioned liabilities.

The Intercreditor Agreement provides that the intra-group liabilities owed by one member of the Senior Secured Group to another member of the Senior Secured Group (other than any Senior Secured Notes Proceeds Loan Liabilities or Topco Proceeds Loan Liabilities) (the "Intra-Group Liabilities") will be subordinated to the liabilities owed by the Debtors and Third Party Security Providers to the creditors under the Senior Lender Liabilities, Super Senior Liabilities, Senior Secured Notes Liabilities, Cash Management Facility Liabilities, Hedging Liabilities, Second Lien Lender Liabilities and Second Lien Notes Liabilities, Agent Liabilities and Topco Notes Liabilities and to any arranger in connection with the aforementioned liabilities (such creditors, together with the Security Agents, any receiver or delegate, any creditor of the Agent Liabilities and any arranger with respect to the Secured Liabilities, the "Secured Parties").

The Intercreditor Agreement also provides that the liabilities owed by any member of the Senior Secured Group (other than any Topco Proceeds Loan Liabilities) to a holding company of the Company or to any other person, in each case, who becomes a subordinated creditor (a "Subordinated Creditor") under the Intercreditor Agreement (the "Subordinated Liabilities") will be subordinated to the liabilities owed by the Debtors and Third Party Security Providers to the Secured Parties and to the Intra-Group Liabilities.

*Priority of Security*

The Intercreditor Agreement provides that the Transaction Security shall rank and secure the applicable secured obligations (but only to the extent that such Transaction Security is expressed to secure those liabilities) in the following order:

(i) first, the Senior Lender Liabilities, the Super Senior Lender Liabilities, the Cash Management Facility Liabilities, the Hedging Liabilities and the Senior Secured Notes Liabilities (and, in each case, the Agent Liabilities and liabilities owing to any arranger in respect thereof) pari passu and without any preference between them;

(ii) second, the Second Lien Lender Liabilities and the Second Lien Notes Liabilities pari passu and without any preference between them; and

(iii) third (to the extent of Topco Shared Security), the Topco Liabilities pari passu and without any preference between them,

in each case, as applicable, subject to the provisions set out under "—*Application of Proceeds*" below.

For the avoidance of doubt, to the extent any facility agreement or other document or instrument (the "Applicable Finance Document") is intended to include one or more senior facilities and one or more super senior facilities, any term of the Intercreditor Agreement intended to apply in respect of senior facilities (and the related documents and persons) and/or the super senior facilities (and the related documents and persons) shall apply (i) in respect of terms relating to both senior facilities and super senior facilities, to all the senior facilities and super senior facilities under the Applicable Finance Documents (and the related documents and persons); (ii) in respect of terms relating only to senior facilities (and not super senior facilities), to all the senior facilities under the Applicable Finance Document (and the related documents and persons) and not to any super senior facility under the Applicable Finance Document (and not to the related documents and persons, as they relate to such super senior facilities and not any senior facility) or (iii) in respect of terms relating only to super senior facilities (and not senior facilities), to all the super senior facilities under the Applicable Finance Document (and the related documents and persons) and not to any senior facility under the Applicable Finance Document (and not to the related documents and persons, as they relate to such senior facilities and not any super senior facility).

For the purposes of this description only:

"*Debt Documents*" means the Intercreditor Agreement and the documents creating or evidencing the Cash Management Facility Liabilities, the Hedging Liabilities, the Second Lien Liabilities, the Senior Secured Liabilities, the Senior Secured Notes Proceeds Loan Liabilities, the Topco Liabilities, the Topco Proceeds Loan Liabilities, the unsecured liabilities of any unsecured creditors who are party to the Intercreditor Agreement, the Subordinated Liabilities and the Intra- Group Liabilities (each as defined in this description) and any other document designated as such by the Priority Security Agent or the Topco Security Agent and the Company.

"*Finance Documents*" means the Senior Secured Credit Facilities Agreement, any Permitted Senior Secured Facilities Agreement, any Permitted Super Senior Secured Facilities Agreement, the indenture in respect of any Senior Secured Notes, any Second Lien Facility Agreement, the indenture in respect of any Second Lien Notes, the facility agreement or other document or instrument documenting any Topco Facility, the indenture in respect of any Topco Notes and any document designated by the Company as an unsecured finance document under and in accordance with the Intercreditor Agreement.

"*Secured Creditors*" means the Senior Secured Creditors, the Second Lien Creditors and the Topco Creditors (each as defined below).

"*Secured Debt Documents*" means the documents relating to the Senior Secured Liabilities, the Second Lien Liabilities, the Topco Liabilities and the Hedging Liabilities.

"*Third Party Security Provider*" means the Issuer and any person that has provided Transaction Security (including Topco Shared Security) but is not a Debtor in respect of any direct borrowing or guarantee liabilities of the applicable secured obligations to which that Transaction Security relates and which is designated by the Company (in its discretion).

"*Topco Independent Transaction Security*" refers to security (other than Transaction Security) which in relation to a Topco Borrower or any member of the Senior Secured Group that directly holds shares in a Topco Borrower or any such person that is not a member of the Senior Secured Group which is designated as such by the Company (in its discretion) (together, the "Topco Independent Obligors") (i) is created, or expressed to be created, in favor of the Topco Security Agent as agent or trustee for the other Topco Secured Parties (or a class of Topco Secured Parties); (ii) in the case of any jurisdiction in which effective security cannot be granted in favour of the Topco Security Agent as agent or trustee for the other Topco Secured Parties (or a class of Topco Secured Parties), is created, or expressed to be created, in favor of (x) all the Topco Secured Parties (or a class of Topco Secured Parties); or (y) the Topco Security Agent under a parallel debt and/or joint and several creditorship or similar structure for the benefit of all the Secured Parties (or a class of Secured Parties). In the case of a Topco Independent Obligor which is a member of the Senior Secured Group and a direct shareholder of a Topco Borrower, such security shall be limited to shares in and receivables owed to it by the relevant Topco Borrower which are not required to be subject to the Transaction Security pursuant to the Finance Documents. Topco Independent Transaction Security shall secure all liabilities and present and future obligations of each Topco Independent Obligor to the Topco Secured Parties under the Topco Finance Documents.

"*Topco Shared Security*" refers to security at any time which is created, or expressed to be created, over any of the following (i) the shares in the Company held by any direct shareholder of the Company, (ii) all receivables owed by the Company to a Topco Investor, Subordinated Creditor or other holding company or shareholder of the Company (including any Topco Proceeds Loan and the Topco Proceeds Loan Liabilities, as applicable), (iii) the shares in any Topco Borrower which is a member of the Senior Secured Group, (iv) all receivables owed by a member of the Senior Secured Group under any Topco Proceeds Loan (or, in the case of a Topco Borrower which is a member of the Senior Secured Group, any Senior Secured Notes Proceeds Loan), (v) any escrow account relating to the proceeds of any Topco Liabilities and (vi) any other assets not falling within limbs (i) to

(v) of this paragraph of a Topco Borrower, and (to the extent that the Company has confirmed to the Topco Security Agent that the granting of such security in favor of the Topco Shared Security Secured Obligations is not prohibited by the terms of any applicable prior ranking financing agreements) any other member of the Senior Secured Group, in each case designated as Topco Shared Security by the Company (in its discretion) in favor of the Topco Security Agent as agent or trustee for the other Secured Parties (or if such trustee arrangements are not legally possible, in favor of all the Secured Parties or in favor of the Topco Security Agent under a parallel debt or similar structure). Topco Shared Security shall secure all liabilities and present and future obligations of any member of the Senior Secured Group and at any time after the incurrence of any Topco Liabilities by a Topco Borrower that is not a member of the Senior Secured Group, such Topco Borrower and each of its Restricted Subsidiaries (the "Topco Group"), each Debtor and any Third Party Security Provider to the Secured Parties under the Secured Debt Documents.

"*Transaction Security*" refers to security (from the Senior Secured Group, any Third Party Security Provider and Topco Shared Security (but excluding, for the avoidance of doubt, Topco Independent Transaction Security), as defined below) which (i) is created, or expressed to be created, in favor of the Priority Security Agent and the Topco Security Agent as agent or trustee for the other Secured Parties (or a class of Secured Parties) and (ii) in the case of any jurisdiction in which effective security cannot be granted in favour of the Priority Security Agent and the Topco Security Agent as agent or trustee for the Secured Parties (or a class of Secured Parties), is created, or expressed to be created, in favor of (x) all the Secured Parties (or a class of Secured Parties) or (y) the Priority Security Agent and the Topco Security Agent under a parallel debt and/or joint and several creditorship or similar structure for the benefit of all the Secured Parties (or a class of Secured Parties). Transaction Security which is not Topco Shared Security shall secure all liabilities and present and future obligations of the Debtors and Third Party Security Providers to the Secured Parties (other than the creditors under the Topco Liabilities (the "Topco Secured Parties")) under the Debt Documents (other than the finance documents relating to the Topco Liabilities (the "Topco Finance Documents")). Transaction Security which is Topco Shared Security shall secure all liabilities and present and future obligations of any member of the Topco Group, the Debtors and Third Party Security Providers to the Secured Parties under the Debt Documents (the "Topco Shared Security Obligations").

The Notes and Notes Guarantees will be Topco Notes Liabilities for the purposes of the Intercreditor Agreement. On the Issue Date, no Second Lien Lender Liabilities or Second Lien Notes Liabilities will be outstanding. Such liabilities and liabilities in respect of other new debt financings may only be incurred and/or designated if not prohibited under the terms of the Debt Documents, including, without limitation, the covenants applicable to the Notes described under "*Description of the Notes — Certain Covenants.*"

*Guarantees and Security: Topco Creditors*

The Topco Creditors have the right to take, accept or receive the benefit of:

(i) any Topco Shared Security from any member of the Senior Secured Group or from a Third Party Security Provider in respect of the Topco Liabilities if and to the extent legally possible and subject to any agreed security principles, at the same time it is also offered either:

  (A) to each Security Agent as agent or trustee for the applicable other Secured Parties (or applicable class thereof) in respect of their Liabilities; or

  (B) in the case of any jurisdiction in which effective security cannot be granted in favor of a Security Agent as agent or trustee for the Secured Parties (or applicable class thereof):

    (I) to the other Secured Parties (or applicable class thereof) in respect of their Liabilities; or

    (II) to each Security Agent under a parallel debt structure, joint and several creditor structure or agency structure for the benefit of the other Secured Parties (or applicable class thereof),

and ranks in the same order of priority as described under "*Priority of Security*" above, provided that all amounts received or recovered by any Topco Creditor with respect to such Topco Shared Security are immediately paid to the Priority Security Agent for application as set out under "Application of Proceeds" below;

(ii) any guarantee, indemnity or other assurance against loss from any member of the Senior Secured Group in respect of the Topco Liabilities in addition to those in the original form of any Topco Finance Documents or the Intercreditor Agreement, or given to all the Secured Parties as security for the liabilities of any member of the Topco Group and each Debtor and any Third Party Security Provider to the Secured Parties under the Debt Documents if, subject to any agreed security principles:

(A) (except for any guarantee, indemnity or other assurance against loss permitted by the Finance Documents), the other Secured Parties other than the Topco Creditors (the "Priority Secured Parties") already benefit from such a guarantee, indemnity or other assurance against loss or at the same time it is also offered to the other Priority Secured Parties and ranks in the same order of priority as described under "*Priority of Security*" above, as applicable; and

(B) all amounts received by any Topco Creditor with respect to such guarantee, indemnity or other assurance against loss are immediately paid to the Priority Security Agent for application as set out under "*—Application of Proceeds*" below; and

(iii) any security, guarantee, indemnity or other assurance against loss:

(A) from any person that is not a member of the Senior Secured Group; and

(B) from any member of the Senior Secured Group:

a. in connection with any escrow or similar arrangements relating to amounts held by a person which is not a member of the Topco Group prior to release of those amounts to a member of the Topco Group;

b. in connection with any actual or proposed defeasance, redemption, prepayment, repayment, purchase or other discharge of any Secured Liabilities not prohibited by the Intercreditor Agreement; or

c. as otherwise permitted by the Intercreditor Agreement.

No security (other than pursuant to the secured documents relating to Topco Independent Transaction Security or Topco Shared Security or as described above) shall be granted by a member of the Senior Secured Group in respect of any Topco Liabilities.

***New Debt Financing***

The Intercreditor Agreement provides, subject to certain conditions, for the implementation of existing, additional, supplemental or new financing arrangements that will constitute, for the purposes of the Intercreditor Agreement, Senior Lender Liabilities, Senior Secured Notes Liabilities, Cash Management Facility Liabilities, Hedging Liabilities, Second Lien Liabilities, Topco Liabilities, Super Senior Liabilities or Hedging Liabilities (each a "New Debt Financing"). The conditions include certification by the Company that such New Debt Financing is permitted under the terms of the Finance Documents.

Such financing arrangements may be implemented by way of refinancing, replacement, exchange, set-off, discharge or increase of any such new, existing, additional, supplemental financing arrangement under the relevant finance documents. In connection with and in order to facilitate any New Debt Financing, each agent in respect of any Priority Secured Liabilities and the applicable Security Agent (and each other person party to a Transaction Security document or a Topco Independent Transaction Security document) is authorized and instructed to promptly enter into any new security document, amend or waive any term of an existing security document and/or release any asset from the Transaction Security or Topco Independent Transaction Security (as the case may be) and/or to effect the ranking, priority, guarantees and security of the New Debt Financing subject to certain conditions, including that any such new security in relation to such New Debt Financing shall be, unless otherwise required by the Company, on terms substantially the same (except that it shall also secure any New Debt Financing) as the terms applicable to the existing Transaction Security or Topco Independent Transaction Security over equivalent assets.

Where any indebtedness ("Permitted Acquired Indebtedness") which is not prohibited under the Finance Documents is incurred by or in connection with the acquisition of (i) a person or any of its subsidiaries who, after the Closing Date, becomes a Restricted Subsidiary or merges, consolidates or is otherwise combined with a Restricted Subsidiary, or (ii) in relation to an asset of or shares (or other ownership interests) in any such person or which is otherwise acquired after the Closing Date (together an "Acquired Person or Asset"), any security, guarantee, indemnity or other assurance against loss in respect of such New Debt Financing which is subsisting at the date when the conditions to the incurrence of such New Debt Financing set out in the Intercreditor Agreement have been satisfied (or is to be granted thereafter, including subject to any condition or periodic testing) shall be permitted to subsist and there is no requirement to offer that security, guarantee, indemnity or other assurance in respect of any other liabilities under any Debt Document. No security, guarantee, indemnity or other assurance against loss is required to be given by any member of the Topco Group in respect of any liabilities (including under any Debt Document) (i) over any Acquired Person or Asset if this would breach a contractual undertaking applicable to the Topco Group or is excluded or exempt from being given under the Agreed Security Principles (as defined in the Senior Secured Credit Facilities Agreement), (ii) over any asset required (including subject to any condition) to provide credit support in relation to any Permitted Acquired Indebtedness (other than as a result of any obligation to extend any Transaction Security rateably for the benefit of such Permitted Acquired Indebtedness), or (iii) where the grant of such security, guarantee, indemnity or other assurance against loss is prevented by the documentation in relation to such Permitted Acquired Indebtedness or would give rise to an obligation (including any payment obligation but not including any obligation to extend any Transaction Security rateably for the benefit of such Permitted Acquired Indebtedness) under or in relation thereto.

***Permitted Payments***

*Permitted Payments in Respect of the Senior and Super Senior Debt*

The Debtors and Third Party Security Providers may make payment in respect of the Senior Lender Liabilities, Senior Secured Notes Liabilities, Super Senior Lender Liabilities and Cash Management Facility Liabilities (together with the Hedging Liabilities, the "Senior Secured Creditor Liabilities," the creditors in respect thereof being the "Senior Secured Creditors") at any time, provided that following certain acceleration events under the Senior Secured Credit Facilities Agreement or any Permitted Senior Secured Facilities Agreement or Senior Secured Notes Indenture or Permitted Super Senior Secured Facilities Agreement or following an Insolvency Event (as defined below), payments may only be made by Debtors or Third Party Security Providers and received by creditors in accordance with the provisions described below under *"—Application of Proceeds"* provided that there shall be no obligation to turnover any such payments received, other than those related to an enforcement of Transaction Security or a Distressed Disposal (as defined below) of assets subject to the Transaction Security.

Any failure to make a payment in accordance with the Senior Secured Finance Documents following an acceleration event as required by the ICA shall not prevent the occurrence of an event of default under such applicable Senior Secured Finance Documents.

*Permitted Payments in Respect of the Second Lien Debt*

Prior to the first date on which all of the Senior Liabilities, the Super Senior Liabilities and the Senior Secured Notes Liabilities (together, the "Senior Secured Liabilities" and together with the Second Lien Liabilities and Topco Liabilities being the "Secured Liabilities") have been discharged (the "Senior Secured Discharge Date"), the Company, the members of the Senior Secured Group and Third Party Security Providers may only make specified scheduled payments in respect of the Second Lien Liabilities, in accordance with the finance documents governing such Second Lien Liabilities, subject to compliance with certain conditions in the Intercreditor Agreement.

The principal conditions are that the relevant payment (if it is a payment of principal or capitalized interest) is not prohibited by any prior ranking financing agreement, including any Permitted Super Senior Secured Facilities Agreement, Permitted Senior Secured Facilities Agreement and any Senior Secured Notes Indenture (or if it is so prohibited, that all necessary consents have been obtained to permit it), no payment stop notice has been issued to the agent or trustee for the relevant Second Lien Liabilities and no Senior Secured Payment Default (as defined below) has occurred and is continuing.

Certain specified payments in respect of Second Lien Liabilities are also permitted at all times, notwithstanding that a payment stop notice is outstanding or such a payment default is continuing. These payments and basket amounts are substantially similar to those referenced for Topco Liabilities in (ii) of the next paragraph.

*Permitted Payments in Respect of Topco Liabilities*

Prior to the date which is the later of the Senior Secured Discharge Date and the first date (the "Second Lien Discharge Date") on which all Second Lien Liabilities have been discharged (the "Priority Discharge Date"), the Company, the members of the Senior Secured Group, the Topco Borrowers and Third Party Security Providers may only make specified scheduled payments to the Topco Creditors or any Topco Borrower (in respect of the

Topco Liabilities) or a Topco Investor (in respect of any Topco Proceeds Loan Liabilities only) (together, the "Topco Group Liabilities") (such payments, collectively, "Permitted Topco Payments"):

(i) if:

(A) no Topco Payment Stop Notice (as defined below) is outstanding;

(B) no payment default (subject to a *de minimis* threshold in the case of amounts other than principal, interest or certain fees) has occurred and is continuing under any Permitted Senior Secured Facilities Agreement, Permitted Super Senior Secured Facilities Agreement, Cash Management Facility document or Senior Secured Notes document (a "Senior Secured Payment Default"), or under the Second Lien Facilities or Second Lien Notes (a "Second Lien Payment Default"); and

(C) the payment is of (1) any amount of principal or capitalized interest in respect of the Topco Liabilities which is (x) not prohibited by any prior ranking financing agreements (in respect of the Senior Secured Liabilities and the Second Lien Liabilities), or any required consents to permit such payment have been obtained or (y) required in connection with a Non-Distressed Disposal (as defined below) or for claims and other proceeds sought before an acceleration event has occurred and is continuing or the enforcement of any Transaction Security pursuant to such acceleration event, (2) any other amount which is not an amount of principal or capitalized interest (such other amounts including all scheduled interest payments (including, if applicable, special interest or liquidated damages) the accrual of cash interest otherwise payable during a period when a Topco Payment Stop Notice is outstanding and default interest on the Topco Liabilities accrued and payable in accordance with the terms of the relevant Topco Finance Document (as at the date of the issue of the same or as amended in accordance with the terms of the Intercreditor Agreement and the other Debt Documents), additional amounts payable as a result of the tax gross-up provisions relating to the Topco Liabilities and amounts in respect of currency indemnities in any Topco Finance Document), (3) made in pursuance of a debt buy-back program approved by the Majority Senior Secured Creditors, Majority Super Senior Creditors and Majority Second Lien Creditors (each as defined below), or (4) amounts due under any syndication strategy letter relating to the Topco Finance Documents;

(ii) if, notwithstanding that a Topco Payment Stop Notice (as defined below) is outstanding and/or (other than in respect of paragraph (N) below) a Senior Secured Payment Default and/or a Second Lien Payment Default has occurred and is continuing and (if the Topco Borrower is a guarantor or borrower under any prior ranking debt facilities at such time, other than in respect of paragraph (L) below) irrespective of whether any creditors under prior ranking debt facilities have accelerated their debt, the payment is not prohibited to be made at such time by any prior ranking financing agreements (in respect of the Senior Secured Liabilities and the Second Lien Liabilities), or the payment is (without double counting any equivalent applicable basket in any Debt Document, but whether or not permitted by the Debt Documents): (A) of ongoing fees under any original fee letter relating to the Topco Finance Documents, (B) of commercially reasonable advisory and professional fees for restructuring advice and valuations (including legal advice and the advice of other appropriate financial and/or restructuring advisors) and any fees, costs or expenses of the relevant Topco Agent (as defined below) not exceeding £1,500,000 in aggregate, but excluding the costs of any litigation against a Senior Secured Creditor or Second Lien Creditor (or their affiliates), (C) of any amounts owed to a Topco Agent (as defined below), (D) of costs necessary to protect, preserve or enforce security, (E) of any costs, commissions, taxes, premiums, amendment fees (including any original issue discount and other consent and/or waiver fees) and any expenses incurred in respect of (or reasonably incidental to) the Topco Finance Documents (including in relation to any reporting or listing requirements under the Topco Finance Documents), (F) of any other amount not exceeding £5,000,000 in any financial year of the Company, provided that any such amount not so applied may be carried forward and utilised in the subsequent financial year (where it shall be deemed to have been used first) (G) of any amount of the Topco Liabilities which would have been payable but for the issue of a Topco Payment Stop Notice (which has since expired and no new Topco Payment Stop Notice is outstanding) which has been capitalized and added to the principal amount of the Topco Liabilities or where that amount is outstanding as a result of the accrual of cash interest payable in respect of the Topco Liabilities during such period or any such amount described at (i)(C) above, provided that no such payment may be made if certain events of default have occurred under the Senior Secured Liabilities or Second Lien Liabilities or would occur as a result of making such payment, (H) for as long as an event of default in respect of the Senior Secured Liabilities, Second Lien Liabilities or Topco Group Liabilities is continuing, all or part of the Topco Liabilities being released or otherwise discharged solely in consideration for the issues of shares in any holding company of the Company (a "Debt for Equity Swap") provided that no cash or cash equivalent payment is made in respect of the Topco Liabilities, that it does not result in a Change of Control as defined in any prior ranking finance agreement or Topco Finance Document and that any Liabilities owed by a member of the Senior Secured Group to another member of the Senior Secured Group, to the Subordinated Creditors or to any other holding company of the Company that arise as a result of any such Debt for Equity Swap are subordinated to the Senior Secured Liabilities and Second Lien Liabilities pursuant to the Intercreditor Agreement and the Senior Secured Creditors and Second Lien Creditors are granted Transaction Security in respect of any of those Intra-Group Liabilities or Subordinated Liabilities owed by any member of the Senior Secured Group, (I) of non-cash interest made by way of capitalizing interest or issuing a non cash-pay instrument which is subordinated on the same terms as the Topco Liabilities, (J) of audit fees, directors' fees, taxes and other proper and incidental expenses required to maintain existence or any other reasonable and ordinary course administrative and maintenance costs and expenses of a Topco Borrower or its affiliates, (K) funded directly or indirectly with the proceeds of Topco Liabilities incurred under or pursuant to any Topco Finance Documents, (L) if the payment is made by the Topco Borrower in respect of its obligations under the Topco Finance Documents; and such payment is not directly or indirectly sourced from a member of the Senior Secured Group or such payment is funded from proceeds received by the Topco Borrower from the Senior Secured Group without breaching the terms of the Debt Documents, (M) if the payment is of a principal amount of the Topco Liabilities and made in accordance with a provision in a Topco Finance Document relating to prepayment upon illegality or any other provision that permits the repayment in full of the participation of any single Topco Creditor in the event of a tax gross-up, increased costs or other indemnity becoming payable and (N) if no Senior Secured Payment Default or Second Lien Payment Default has occurred and is continuing and the payment is a payment of principal, interest or any other amounts made on or after the final maturity date of the relevant Topco Liabilities (provided that such maturity date is no earlier than that contained in the original form of the relevant Topco Finance Document as of the date of first issuance or borrowing (as the case may be) of the applicable Topco Liabilities); or

(iii) if the requisite Senior Secured Creditors, Super Senior Creditors and Second Lien Creditors give prior consent to that payment being made.

A reference in the section above to a payment shall be construed to include any other direct or indirect step, matter, action or dealing in relation to any Topco Liabilities which are otherwise prohibited under the Intercreditor Agreement.

On or after the Priority Discharge Date, the Debtors, the Topco Borrowers and the Third Party Security Providers may make payments in respect of the Topco Group Liabilities in accordance with the Topco Finance Documents and the Topco Proceeds Loan Agreement (as applicable).

*Topco Liabilities Payment Block Provisions*

A Topco Payment Stop Notice (as defined below) is outstanding from the date falling one Business Day after the date on which, following the occurrence of an event of default under any Senior Secured Liabilities (a "Senior Secured Event of Default") or an event of default under the Second Lien Liabilities (a "Second Lien Event of Default"), the Priority Security Agent (acting on the instructions of the requisite Super Senior Creditors, Senior Secured Creditors or Second Lien Creditors gave the instructions for the relevant stop notice to be delivered) (a "Topco Payment Stop Notice") to the agent under any Topco Facility (the "Topco Agent") and the trustee under any Topco Notes (including the Trustee) (the "Topco Notes Trustee") advising that the Senior Secured Event of Default or Second Lien Event of Default is continuing and suspending payments by the Senior Secured Group of the Topco Liabilities, until the first to occur of:

(i) the date falling one hundred and seventy nine (179) days after delivery of that Topco Payment Stop Notice;

(ii) the date on which a default occurs for failure to pay principal at the original scheduled maturity of the relevant Topco Liabilities;

(iii) if a Topco Standstill Period (as defined below) commences after delivery of that Topco Payment Stop Notice, the date on which such standstill period expires;

(iv) the date on which the relevant Senior Secured Event of Default or Second Lien Event of Default has been remedied or waived;

(v) the date on which the Priority Security Agent (acting on the instructions of whichever of the Majority Super Senior Creditors, Majority Senior Secured Creditors or Majority Second Lien Creditors gave the instructions for the relevant Topco Payment Stop Notice to be delivered) delivers a notice to the Topco Borrower, the Topco Agent and the Topco Notes Trustee cancelling the Topco Payment Stop Notice;

(vi) the Priority Discharge Date; and

(vii) the date on which the Topco Creditors take any enforcement action that is permitted under the Intercreditor Agreement (see "*—Permitted Topco Enforcement*" below).

No Topco Payment Stop Notice may be delivered by the Priority Security Agent in reliance on a Senior Secured Event of Default or a Second Lien Event of Default more than forty five (45) days after the occurrence of the relevant event of default. No more than one Topco Payment Stop Notice may be served (i) with respect to the same event or set of circumstances, or (ii) in any period of three hundred and sixty (360) days.

Any failure to make a payment due in respect of the Topco Group Liabilities as a result of the issue of a Topco Payment Stop Notice or the occurrence of a Senior Secured Payment Default or Second Lien Payment Default shall not prevent (i) the occurrence of an event of default as a consequence of that failure to make a payment in relation to the relevant Topco Group Liabilities, or (ii) the issue of an enforcement notice in respect of an event of default under the finance documents documenting any Topco Group Liabilities (a "Topco Enforcement Notice") on behalf of the Topco Creditors.

*Payment Obligations and Capitalization of Interest Continue*

Nothing in the Second Lien or Topco payment block provisions will release any Debtor from the liability to make any payment (including of default interest, which shall continue to accrue) under the applicable Debt Documents even if its obligation to make such payment is restricted at any time. The accrual and capitalization of interest (if any) in accordance with the applicable Debt Documents shall continue notwithstanding the issue of a payment stop notice.

*Cure of Payment Stop*

If:

(i) at any time following the issue of a Topco Payment Stop Notice or the occurrence of a Senior Secured Payment Default or Second Lien Payment Default, that Topco Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Senior Secured Payment Default or Second Lien Payment Default ceases to be continuing; and

(ii) the relevant Debtor or Topco Borrower then promptly pays to the Topco Creditors or any party that has acceded to the Intercreditor Agreement as a creditor under a Topco Proceeds Loan (the "Topco Investors") (in respect of the Topco Proceeds Loan Liabilities only) an amount equal to any payments which had accrued under the Topco Finance Documents or the Topco Proceeds Loan Agreement (as applicable) and which would have been Permitted Topco Payments but for that Topco Payment Stop Notice or Senior Secured Payment Default or Second Lien Payment Default (as the case may be), then any event of default which may have occurred under a Topco Finance Document or Topco Proceeds Loan Agreement and any Topco Enforcement Notice which may have been issued as a result of that suspension of payments shall be waived without any further action being required.

***Turnover***

Subject to certain exceptions, the Intercreditor Agreement will provide that if, at any time prior to the latest to occur of the Super Senior Discharge Date (as defined below), the Senior Secured Discharge Date, the Second Lien Discharge Date and the first date on which all of the Topco Liabilities have been fully discharged (the "Topco Discharge Date") (the "Final Discharge Date") any creditor (other than a Senior Secured Creditor) receives or recovers from any Debtor, member of the Senior Secured Group or Third Party Security Provider:

(i) any payment or distribution of, or on account of or in relation to, any of the liabilities owed to the creditors under the Debt Documents other than any payment or distribution which is either (x) not prohibited under the Intercreditor Agreement or (y) made in accordance with the provisions set out below under "*—Application of Proceeds*";

(ii) any amount by way of set-off which does not give effect to a payment permitted under the Intercreditor Agreement;

(iii) any amount:

(A) on account of, or in relation to, any of the liabilities owed to the creditors under the Debt Documents (I) after the occurrence of an acceleration event or the enforcement of any Transaction Security as a result of such an acceleration event, or (II) as a result of any other litigation or proceedings against a Debtor, member of the Senior Secured Group or any Third Party Security Provider (other than after the occurrence of an Insolvency Event); or

(B) by way of set-off in respect of any of the liabilities owed to it after the occurrence of an acceleration event or the enforcement of any Transaction Security as a result of such an acceleration event,

other than, in each case, any amount received or recovered in accordance with the provisions set out below under "*Application of Proceeds*";

(iv) the proceeds of any enforcement of any of the Transaction Security except in accordance with the provisions set out below under "Application of Proceeds"; or

(v) any distribution in cash or in kind or payment of, or on account of or in relation to, any of the liabilities owed by any Debtor, any member of the Senior Secured Group or Third Party Security Provider which is not in accordance with the provisions set out below under "*—Application of Proceeds*" and which is made as a result of, or after, the occurrence of an Insolvency Event in respect of that Debtor, member of the Senior Secured Group or Third Party Security Provider,

that creditor will:

(i) in relation to receipts and recoveries not received or recovered by way of set-off (x) hold an amount of that receipt or recovery equal to the relevant liabilities (or if less, the amount received or recovered) on trust for (or otherwise on behalf and for the account of) the Priority Security Agent or the Topco Security Agent (as applicable) and promptly pay or distribute that amount to the Priority Security Agent or the Topco Security Agent (as applicable) for application in accordance with the terms of the Intercreditor Agreement, and (y) promptly pay or distribute an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant liabilities to the Priority Security Agent or the Topco Security Agent (as applicable) for application in accordance with the terms of the Intercreditor Agreement; and

(ii) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Priority Security Agent or the Topco Security Agent (as applicable) for application in accordance with the terms of the Intercreditor Agreement.

A turnover mechanism on substantially the same terms applies in the event that, at any time prior to the Final Discharge Date, any Senior Secured Creditor receives or recovers from any Debtor, any member of the Senior Secured Group or Third Party Security Provider (x) any proceeds from the enforcement of security or from a Distressed Disposal (as defined below) or following an acceleration event or the enforcement of security, any proceeds arising from any of the charged property or (y) any other amounts which should otherwise be received or recovered by the Priority Security Agent or the Topco Security Agent except in accordance with the provisions set out below under "*—Application of Proceeds.*"

***Effect of Insolvency Event***

"Insolvency Event" is defined as, in relation to any Obligor, Material Subsidiary (each as defined in the Senior Secured Credit Facilities Agreement) or Third Party Security Provider, (a) the passing of any resolution or making of an order for insolvency, bankruptcy, winding up, dissolution, administration, examinership or reorganization (excluding solvent reorganizations), (b) a moratorium is declared in relation to any of its indebtedness, (c) the appointment of a liquidator, receiver, examiner, administrative receiver, administrator, compulsory manager or other similar officer in respect of it or any of its assets, or (d) any analogous procedure or step is taken in any jurisdiction, other than (in each case), (i) frivolous or vexatious proceedings, (ii) proceedings or appointments which the Priority Security Agent is satisfied will be withdrawn or unsuccessful or (iii) as permitted under any Senior Secured Credit Facility Agreement or in any Permitted Senior Secured Facilities Agreement, Permitted Super Senior Secured Facilities Agreement or a Second Lien Facility Agreement, or otherwise not constituting a default.

The Intercreditor Agreement provides that, after the occurrence of an Insolvency Event, any party entitled to receive a distribution out of the assets of an Obligor, Material Subsidiary or Third Party Security Provider (in the case of a Senior Secured Creditor, only to the extent such amounts constitute proceeds of enforcement) shall direct the person responsible for the distribution to pay that distribution to the Priority Security Agent until the liabilities owing to the Secured Parties have been paid in full. The Priority Security Agent shall apply all such distributions paid to it in accordance with the provisions set out under "*—Application of Proceeds*" below.

To the extent that any member of the Senior Secured Group or Third Party Security Provider's liabilities to creditors are, with certain exceptions, discharged by way of set-off (mandatory or otherwise and in the case of a Senior Secured Creditor, only to the extent such amounts constitute proceeds of enforcement) after the occurrence of an Insolvency Event, any creditor benefiting from such set-off shall pay an amount equal to the amount of the liabilities owed to it which are discharged by that set-off to the Priority Security Agent for application in accordance with the provisions set out under "*—Application of Proceeds*" below.

If any Security Agent or any other Secured Party receives a distribution in a form other than in cash in respect of any liabilities, the liabilities will not be reduced by that distribution until and except to the extent that the realization proceeds are actually applied towards such liabilities.

Subject to certain netting and set-off rights under ancillary or cash management facilities, after the occurrence of an Insolvency Event, each creditor irrevocably authorizes the applicable Security Agent to take Enforcement Action (as defined below), make demands, collect and receive distributions, file claims and take other actions necessary to make recovery in relation to a Debtor, member of the Senior Secured Group or Third Party Security Provider. The creditors agree to do all things the applicable Security Agent reasonably requests in order to give effect to these provisions.

***Security Enforcement Regime***

*Enforcement of Security*

The Intercreditor Agreement provides that the applicable Security Agent may not take any action to enforce the Transaction Security or the Topco Independent Transaction Security without the prior written consent of an Instructing Group, Majority Second Lien Creditors or Majority Topco Creditors (as applicable) otherwise as specified in the provisions described below.

An "Instructing Group" means:

(a) prior to the later of the Senior Secured Discharge Date and the first date on which the Super Senior Liabilities have been fully and finally discharged (the "Super Senior Discharge Date"), Senior Secured Creditors (other than the Super Senior Creditors) representing more than 50% of the credit participations of the Senior Secured Liabilities (other than the Super Senior Liabilities) (the "Majority Senior Secured Creditors"), save that, for instructions relating to enforcement, it shall mean the group of Secured Creditors entitled to give instructions in accordance with the enforcement regime described under "*—Enforcement of Transaction Security*" below;

(b) on or after the later of the Senior Secured Discharge Date and the Super Senior Discharge Date but before the Priority Discharge Date, Second Lien Creditors representing more than 50% of the credit participations of the Second Lien Liabilities (the "Majority Second Lien Creditors"); and

(c) on or after the Priority Discharge Date but before the Topco Discharge Date, Topco Creditors representing more than 50% of the credit participations of the Topco Liabilities (the "Majority Topco Creditors").

*Enforcement of Transaction Security*

The Priority Security Agent (and in the case of sub-paragraph (iii) below only, the Topco Security Agent) may refrain from enforcing the Transaction Security unless instructed otherwise in accordance with the provisions described in this paragraph. If the Transaction Security has become enforceable, if either Super Senior Creditors representing more than 50% of the credit participations of the Super Senior Liabilities (the "Majority Super Senior Creditors") or the Majority Senior Secured Creditors wish to issue enforcement instructions their respective representatives (and, if applicable, the hedge counterparties) shall deliver a copy of those instructions (an "Initial Enforcement Notice") to the Priority Security Agent and to the other agents, trustees and hedge counterparties which did not deliver such Initial Enforcement Notice.

The Priority Security Agent (and in the case of sub-paragraph (iii) below only, the Topco Security Agent) will act in accordance with any instructions (provided they are consistent with the Enforcement Principles (as defined below)) received from (i) the Majority Senior Secured Creditors, (ii) if, prior to the later of the Senior Secured Discharge Date and the Super Senior Discharge Date, the Majority Senior Secured Creditors or the Majority Super Senior Creditors (as applicable) have not given instructions or they have instructed the Priority Security Agent not to enforce or cease enforcing and have not required any Debtor or Third Party Security Provider to make a Distressed Disposal, the Majority Second Lien Creditors, where the rights of the Second Lien Creditors to enforce have arisen under the Intercreditor Agreement, provided that such enforcement instructions shall either (A) in relation to assets which are subject to ongoing Enforcement Action commenced by the Majority Senior Secured Creditors or Majority Super Senior Creditors, follow the same process as such Enforcement Action which was ongoing and (B) in relation to assets which were not subject to such ongoing Enforcement Action, ensure that completion of any Enforcement Action commenced by the Majority Second Lien Creditors shall be subject to and conditional upon (and which are not materially prejudicial to) the completion of such ongoing Enforcement Action or (iii) if, prior to the Priority Discharge Date, the Majority Senior Secured Creditors or the Majority Super Senior Creditors or the Majority Second Lien Creditors (as applicable) have not given instructions or they have instructed the Priority Security Agent not to enforce or cease enforcing and have not required any Debtor or Third Party Security Provider to make a Distressed Disposal, the Majority Topco Creditors who are then entitled to give such instructions under the Intercreditor Agreement, provided that such enforcement instructions shall either (A) in relation to assets which are subject to ongoing Enforcement Action commenced by the Majority Senior Secured Creditors, Majority Super Senior Creditors or Majority Second Lien Creditors, follow the same process as such Enforcement Action which was ongoing and (B) in relation to assets which were not subject to such ongoing Enforcement Action, ensure that completion of any Enforcement Action commenced by the Majority Topco Creditors shall be subject to and conditional upon (and which are not materially prejudicial to) the completion of such ongoing Enforcement Action unless such Enforcement Action relates solely to the Topco Independent Transaction Security and not any Transaction Security.

Notwithstanding the preceding paragraphs, if (a) a Super Senior Material Event of Default (as defined below) is continuing; (b) a Senior Agent for the applicable Super Senior Creditors (a "Super Senior Agent") has given notice (a "Super Senior Enforcement Notice") to the Priority Security Agent specifying that a Super Senior Material Event of Default has occurred under the Super Senior Finance Documents in respect of which it is an agent has occurred and is continuing; and (c) a period (a "Super Senior Standstill Period") of not less than (i) ninety (90) days in the case of a Super Senior Material Event of Default specified in paragraph (i) of such definition; or (ii) one hundred and twenty (120) days in the case of Super Senior Material Event of Default specified in paragraph (iv)(A) of such definition; or (iii) one hundred and fifty (150) days in the case of any other Super Senior Material Event of Default, has elapsed from the date on which that Super Senior Enforcement Notice becomes effective or, in relation to any Super Senior Liabilities, such longer period (if any) as agreed between the Company (in its discretion) and the Super Senior Agent in relation to such Super Senior Liabilities and notified to the Priority Security Agent; (d) the relevant Super Senior Material Event of Default is continuing at the end of the relevant Super Senior Standstill Period; (e) no Secured Creditor has given a legally binding commitment to acquire all of the Super Senior Liabilities in accordance with the option to purchase of the Senior Secured Creditors, Second Lien Creditors or Topco Creditors under the Intercreditor Agreement; (f) the Super Senior Discharge Date has not occurred by that date; or (g) the Majority Super Senior Creditors have given their prior written consent, in each case provided that if the Priority Security Agent has given notice to the Super Senior Creditors that it has taken Enforcement Action during a Super Senior Standstill Period and either (A) the Priority Security Agent has notified the Super Senior Creditors that it has ceased to take such Enforcement Action or (B) (1) a period of six (6) months has elapsed from the earlier of (I) the expiry of the relevant Super Senior Standstill Period and (II) the first date on which Enforcement Action was taken during the relevant Super Senior Standstill Period by the Priority Security Agent on the instructions of the Majority Senior Secured Creditors (the "Discharge Period") provided that, if the Priority Security Agent (on the instructions of the Majority Senior Secured Creditors) has undertaken Material Enforcement Action (as defined below) which is ongoing at the end of the Discharge Period, the Super Senior Creditors shall not be entitled to become the Instructing Group and instruct the Priority Security Agent to take or cease taking any Enforcement Action (including any existing Enforcement Action or Material Enforcement Action) until a further period of sixty (60) days has elapsed from the last day of the Discharge Period; (2) the relevant Super Senior Material Event of Default is continuing at such time; (3) no Senior Secured Creditor has given a legally binding commitment to acquire all of the Super Senior Liabilities within ten (10) days of the date of such legally binding commitment in accordance with the option to purchase of the Senior Secured Creditors, Second Lien Creditors or Topco Creditors under the Intercreditor Agreement; and the Super Senior Discharge Date has not occurred by that date, then the Majority Super Senior Creditors shall be entitled to give instructions to the Priority Security Agent to enforce the Transaction Security in such manner (including as to the selection of an administrator of any Debtor) as they see fit (subject to the Enforcement Principles) and the Priority Security Agent will act in accordance with such instructions (but not instructions to cease or change any Enforcement Action which is ongoing upon the instruction of the Majority Senior Secured Creditors, though the Majority Super Senior Creditors may take control of such ongoing Enforcement Action) provided that such enforcement instructions shall either (x) in relation to assets which are subject to ongoing Enforcement Action commenced by the Majority Senior Secured Creditors, follow the same process as such Enforcement Action which was ongoing; and (y) in relation to assets which were not subject to such ongoing Enforcement Action, ensure that completion of any Enforcement Action commenced by the Majority Super Senior Creditors shall be subject to and conditional upon (and which are not materially prejudicial to) the completion of such ongoing Enforcement Action.

"*Super Senior Material Event of Default*" means an event of default as a result of (i) a payment default in respect of amounts owed under a super senior facility; (ii) incurrence of super senior indebtedness which is not permitted indebtedness (iii) an insolvency event in respect of the Company, a borrower to which any utilisation under a super senior facility is outstanding or an entity which is classed as a significant subsidiary under a specified limb of the definition thereunder; (iv)(A) a breach of a financial covenant granted solely the benefit of the applicable Super Senior Creditors or (B) a failure to deliver information necessary to determine compliance with such financial covenant, in each case, subject to any grace periods; (v) a breach of the invalidity and unlawfulness or intercreditor agreement events of default (to the extent it prejudices the right of the applicable Super Senior Creditors to receive proceeds from an enforcement of the Transaction Security in priority to the other Senior Secured Creditors); (vi) a breach of the repudiation and rescission of agreements event of default (to the extent it materially disproportionately prejudices the applicable Super Senior Creditors as compared with the other Senior Secured Creditors); or (vii) the occurrence of any matter that (or breach of any provision the waiver of which) requires the consent of the requisite majority of applicable Super Senior Creditors but in respect of which such consent has not been obtained.

"*Material Enforcement Action*" means, in respect of any Enforcement Action instructed by the Majority Senior Secured Creditors, (a) legally binding commitments have been entered into in respect of a Distressed Disposal and those commitments are only subject to purchaser conditions (including, payment of any purchase price) that are reasonably likely to result in the discharge in full of the Super Senior Liabilities; or (b) (i) legally binding commitments have been entered into in respect of a Distressed Disposal and those commitments are only subject to applicable regulatory review or approval that are reasonably likely to result in the discharge in full of the Super Senior Liabilities; (ii) the request for such regulatory review and approval has been submitted during the Discharge Period; and (iii) there is a reasonable prospect that regulatory approval will be granted for the relevant Distressed Disposal.

Notwithstanding the preceding paragraphs, if at any time the agents or representatives of the Second Lien Creditors or Topco Creditors then entitled to give any Security Agent instructions do not give such instruction and do not indicate any intention to give such instruction, then the Majority Senior Secured Creditors or Majority Super Senior Creditors to the extent that such group is entitled to give enforcement instructions as described in the paragraph above may give instructions to the Priority Security Agent or the Topco Security Agent to enforce the Transaction Security as they see fit and the Priority Security Agent and the Topco Security Agent shall act on such instructions.

"*Enforcement Principles*" means certain requirements as to the manner of enforcement, including that (i) to the extent consistent with a prompt and expeditious realization of value, the method of enforcement chosen should maximize the value realized from such enforcement, (ii) certain proceeds must be received in cash, and (iii) enforcement in relation to assets over £5,000,000 or shares if not carried out by way of a public auction or other competitive sales process, shall (if the Priority Security Agent is so requested by the Majority Super Senior Creditors or Majority Senior Secured Creditors) benefit from a fairness opinion from an investment bank, firm of accountants or third party financial adviser, unless the proposed enforcement would result in receipt of sufficient proceeds to discharge in full the Super Senior Liabilities or Senior Secured Liabilities (as applicable) in cash.

*Enforcement—Topco Independent Transaction Security*

Subject to the Topco Independent Transaction Security having become enforceable in accordance with its terms, an agent or trustee under the Topco Finance Documents (acting on the instructions of the Majority Topco Creditors) may give or refrain giving, instructions to the Topco Security Agent to enforce or refrain from enforcing the Topco Independent Transaction Security as they see fit.

*Manner of Enforcement*

If the Transaction Security or Topco Independent Transaction Security is being enforced in accordance with any of the above paragraphs, the applicable Security Agent shall enforce the relevant Transaction Security or Topco Independent Transaction Security in such manner (including the selection of any administrator of any Debtor or Third Party Security Provider to be appointed by the applicable Security Agent) as any persons entitled at any time under the above provisions shall instruct it or, in the absence of any such instructions, as the applicable Security Agent sees fit (which may include taking no action).

Subject to certain exceptions for cash cover or cash collateral, no Secured Party shall have any independent power to enforce, or to have recourse to enforce, any Transaction Security or Topco Independent Transaction Security or to exercise any rights or power arising under the Transaction Security Documents or Topco Independent Transaction Security Documents except through the applicable Security Agent.

*Security Held by Other Creditors*

If any Transaction Security or Topco Independent Transaction Security is held by a creditor other than the applicable Security Agent, then creditors may only enforce that Transaction Security or Topco Independent Transaction Security in accordance with instructions given by instructing creditors in accordance with the paragraphs above.

***Enforcement Regime***

*Restrictions on Enforcement by Second Lien Creditors*

Certain of the features set out below with respect to Topco Creditors may apply to the Second Lien Creditors, with appropriate modifications for the relative position in the capital structure.

*Restrictions on Enforcement by Topco Creditors*

Until the Priority Discharge Date, except with the prior consent of or as required by an Instructing Group, (i) no Topco Creditor or Topco Investor shall direct any Security Agent to enforce, or otherwise require the enforcement of any Transaction Security (including the crystallization of any floating charge forming part of the Transaction Security); (ii) no Topco Creditor nor Topco Investor shall take or require the taking of any Enforcement Action (as defined below) against any member of the Senior Secured Group or Third Party Security Provider (other than in each case (and to the extent not restricted by (i) above and (iii) below) against a Topco Borrower) in relation to the Topco Group Liabilities; and (iii) no Topco Creditor nor Topco Investor nor Topco Borrower shall take or require the taking of any Enforcement Action (as defined below) in relation to Topco Proceeds Loan Liabilities, except in the case of each of (i) through (iii) as set out under "—*Permitted Topco Enforcement*" below.

Other than as restricted by (i) and (iii) in the paragraph above, any Topco Creditor may at any time take any Enforcement Action (as defined below) against any person which is not a member of the Senior Secured Group, in each case in accordance with the terms of the Topco Finance Documents.

"*Enforcement Action*" is defined as:

(i) (A) in relation to any liabilities (other than unsecured liabilities) the acceleration, putting on demand, making of a demand, requiring a member of the Topco Group or Third Party Security Provider to acquire such liabilities (subject to certain exceptions), exercising of rights of set-off (other than certain netting under hedging agreements or as otherwise permitted under the Debt Documents) or (B) suing or commencing proceedings in relation to such liabilities;

(ii) premature termination or close-out of a hedging agreement, save to the extent permitted by the Intercreditor Agreement;

(iii) the taking of steps to enforce or require the enforcement of the Transaction Security or, as the case may be, Topco Independent Transaction Security (including the crystallization of any floating charge) as a result of an acceleration event;

(iv) entering into any composition, compromise, assignment or similar arrangement with any Third Party Security Provider or a member of the Topco Group which owes any liabilities or has given security or guarantees or other assurances against loss in respect of liabilities owed to a creditor under the Intercreditor Agreement (other than any action permitted under the Intercreditor Agreement or any debt buy-backs pursuant to open market debt repurchases, tender offers or exchange offers not undertaken as part of an announced restructuring or turnaround plan or while a default was outstanding under the relevant finance documents); or

(v) petitioning, applying, voting for or taking steps (including the appointment of any liquidator, receiver, administrator, examiner or similar officer) in relation to the winding up, dissolution, administration, examinership or reorganization of any Third Party Security Provider or a member of the Topco Group which owes any liabilities or has given security or guarantees or other assurances against loss in respect of liabilities owed to a creditor under the Intercreditor Agreement or any of such Third Party Security Provider or member of the Topco Group's assets or any suspension of payments or moratorium of any indebtedness of any such Third Party Security Provider or member of the Topco Group, or any analogous procedure or step in any jurisdiction, except that the following shall not constitute Enforcement Action, (A) suing, commencing proceedings or taking any action referred to in paragraph (i)(B) and (v) where necessary to preserve a claim, (B) discussions between or proposals made by the Priority Secured Parties with respect to enforcement of the Transaction Security in accordance with the Intercreditor Agreement, (C) bringing proceedings in connection with a securities violation, securities or listing regulations or common law fraud or to restrain any breach of the Debt Documents or for specific performance with no claims for damages, (D) proceedings brought by a Secured Party to obtain injunctive relief, specific performance with no claim for damages or to request judicial interpretation in relation to a Debt Document to which it is party with no claim for damages, (E) demands made by Intra-Group Creditors or Subordinated Creditors to the extent they relate to payments permitted under the Intercreditor Agreement or the release of the liabilities owed to such creditors in return for the issue of shares in the relevant member of the Senior Secured Group provided that the ownership interest of the member of the Senior Secured Group is not diluted and any relevant shares remain subject to the same Transaction Security as existed prior to the issue, (F) proceedings brought by an ancillary lender, a lender of Cash Management Facility Liabilities (a "Cash Management Facility Lender"), hedge counterparty, issuing bank, or agent or trustee in respect of the Second Lien Liabilities or Topco Liabilities to obtain injunctive relief, specific performance with no claim for damages or to request judicial interpretation in relation to a Debt Document to which it is party with no claim for damages or in connection with any securities violation, securities or listing regulations or common law fraud and (G) the taking of any action by a member of the Topco Group not prohibited by the Finance Documents.

*Permitted Topco Enforcement*

Subject to the provisions set out under "—*Enforcement of Transaction Security*" above, the restrictions set out above under "—*Restrictions on Enforcement by Topco Creditors*" will not apply in respect of the Topco Group Liabilities, Topco Proceeds Loan Liabilities, or any Transaction Security securing the Topco Group Liabilities, if:

(i) an event of default under a Topco Finance Document or a Topco Proceeds Loan Agreement (the "Relevant Topco Default") is continuing; and

(ii) all agents or trustees in respect of the Senior Lender Liabilities, Senior Secured Notes Liabilities, and Second Lien Liabilities have received a notice of the Relevant Topco Default specifying the event or circumstance in relation to the Relevant Topco Default from the Topco Agent, the Topco Notes Trustee or the Topco Borrower in relation to the relevant Topco Group Liabilities; and

(iii) the relevant Topco Standstill Period (as defined below) has elapsed; and

(iv) the Relevant Topco Default is continuing at the end of that Topco Standstill Period; and

(v) the Topco Discharge Date has not occurred by that date

Promptly upon becoming aware of an Event of Default under a Topco Finance Document, a Topco Notes Trustee, Topco Agent or Topco Investor (as the case may be) may give a Topco Enforcement Notice notifying any agent under a Permitted Senior Secured Facilities Agreement (the "Senior Agent"), Senior Secured Notes Trustee, the Second Lien Agent and any second lien notes trustee of the existence of such event of default.

"*Topco Standstill Period*" means the period beginning on the date (the "Topco Standstill Start Date") a Topco Enforcement Notice is served in respect of such a Relevant Topco Default and ending on the earliest to occur of:

(i) the date falling one hundred and seventy nine (179) days after the Topco Standstill Start Date (the "Topco Standstill Period");

(ii) the date the Priority Secured Parties take any Enforcement Action in relation to a particular Debtor or Third Party Security Provider, provided that:

   (A) if a Topco Standstill Period ends pursuant to this paragraph (ii), the Topco Creditors or a Topco Investor (in respect of the Topco Proceeds Loan Liabilities only) may only take the same Enforcement Action in relation to a Topco Guarantor as the Enforcement Action taken by the Priority Secured Parties against such Topco Guarantor and not against any other member of the Senior Secured Group or Third Party Security Provider; and

(B) Enforcement Action for the purpose of this paragraph shall not include action taken to preserve or protect any security as opposed to realize it;

(iii) the date of an Insolvency Event (as defined above) in relation to a particular Topco Guarantor against whom Enforcement Action is to be taken;

(iv) the expiry of any other Topco Standstill Period outstanding at the date such first mentioned Topco Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy); and

(v) the first date on which each of the Majority Super Senior Creditors, the Majority Senior Secured Creditors and the Majority Second Lien Creditors (as applicable) have given their consent to the relevant Enforcement Action.

The Topco Creditors or Topco Investor (in respect of the Topco Proceeds Loan Liabilities only) may take Enforcement Action under the provisions described in this section (Permitted Topco Enforcement) in relation to a Relevant Topco Default even if, at the end of any relevant Topco Standstill Period or at any later time, a further Topco Standstill Period has begun as a result of any other event of default in respect of the Topco Liabilities.

*Option to Purchase: Topco Creditors*

Following acceleration or the enforcement of Transaction Security upon acceleration under any Senior Secured Creditor Liabilities, Second Lien Liabilities or Topco Liabilities, Topco Creditors may elect, by not less than 10 days' prior written notice to the Priority Security Agent, to purchase all, but not part of, the Senior Lender Liabilities, Super Senior Lender Liabilities, Senior Secured Notes Liabilities, Cash Management Facility Liabilities, Second Lien Lender Liabilities and Second Lien Notes Liabilities for the amount that would have been required to prepay or redeem such liabilities on such date plus certain costs and expenses. Topco Creditors must also elect for the counterparties to hedging obligations to transfer their hedging obligations to holders in exchange (subject to specified conditions) for the amount that would have been payable under such hedging obligations had they been terminated on such date plus certain costs and expenses in connection with any such purchase.

***Non-Distressed Disposals***

The applicable Security Agent (on behalf of itself and the other Secured Parties) and each other person party to a Transaction Security document or a Topco Independent Transaction Security document agrees that it shall (and is irrevocably authorized, instructed and obliged to do so without further consent, agreement or instruction from any creditor, other Secured Party or Debtor) promptly following receipt of a written request from the Company:

(i) release (or procure the release) from the Transaction Security or Topco Independent Transaction Security and the Secured Debt Documents:

(A) any security (and/or other claim relating to a Debt Document) over any asset which the Company has confirmed is the subject of:

(1) a disposal not prohibited under the Finance Documents or where any applicable release and/ or consent has been obtained under the applicable Finance Document including a disposal to a member of the Senior Secured Group but without prejudice to any obligation of any member of the Senior Secured Group in a Finance Document to provide replacement security; or

(2) any other transaction not prohibited by the Finance Documents pursuant to which that asset will cease to be held or owned by a member of the Senior Secured Group or where any applicable release and/or consent has been obtained under the applicable Finance Documents,

and in each case where such disposal is not a Distressed Disposal (as defined below) (in each case, a "Non-Distressed Disposal");

(B) any security (and/or other claim relating to a Debt Document) over any document or other agreement requested in order for any member of the Senior Secured Group to effect any amendment or waiver or otherwise exercise any rights, comply with any obligation or take any action in relation to such document or agreement to the extent that the Company has confirmed that such action is not prohibited by any Finance Document;

(C) any security (and/or other claim relating to a Debt Document) over any asset of any member of the Senior Secured Group which has ceased or will cease to be a Debtor or guarantor to the extent that the Company has confirmed that such ceasing to be a Debtor or guarantor in accordance with the terms of each Finance Document or the Agreed Security Principles (as defined in the Senior Secured Credit Facilities Agreement); and

(D) any security (and/or other claim relating to a Debt Document) over any other asset to the extent that the Company has confirmed that such security is not required to be given or such release in accordance with the terms of any Finance Document or the Agreed Security Principles (as defined in the Senior Secured Credit Facilities Agreement);

(ii) in the case of a disposal of share or ownership interest in a Debtor, other member of the Senior Secured Group or any holding company of any Debtor or any other transaction pursuant to which a Debtor, other member of the Senior Secured Group or any holding company of any Debtor will cease to be a member of the Topco Group or a Debtor, release or procure the release of that Debtor or other member of the Senior Secured Group and its subsidiaries from all present and future liabilities under the Secured Debt Documents and the respective assets of such Debtor and its subsidiaries from the Transaction Security or Topco Independent Transaction Security and the Secured Debt Documents (including any claim relating to a Debt Document); and

(iii) effect a debt transfer of all the rights and obligations of any super senior borrower, senior borrower or second lien borrower in respect of its liabilities under the applicable Secured Debt Documents provided that (A) either such debt transfer is (1) to another member of the Senior Secured Group, (2) by a borrower where that borrower or holding company of that borrower is being disposed of in accordance with the Finance Documents and the proceeds of such disposal are not otherwise required to be applied in prepayment of that borrower's liabilities under the applicable Finance Documents or (3) undertaken in connection with an IPO, and (B) the transferee in respect of such debt transfer is another super senior borrower, senior borrower or second lien borrower (as applicable).

When making any request for a release pursuant to paragraphs (i)(A), (i)(B) or (ii) above, the Company shall confirm in writing to the applicable Security Agent(s), that the relevant disposal or other action is not prohibited as at the date of completion of such release or, at the option of the Company, on the date that the definitive agreement for such disposal or similar transaction is entered into.

When making any request for a release pursuant to paragraph (i)(C) or (i)(D) above, the Company shall confirm in writing to the applicable Security Agent(s), that such security is not required to be given or the relevant release or cessation is otherwise in accordance with the terms of the Finance Documents or the Agreed Security Principles (as defined in the Senior Secured Credit Facilities Agreement).

In the case of a disposal of shares or other ownership interests in a Debtor, member of the Senior Secured Group or holding company of any Debtor or any other transaction pursuant to which a Debtor, member of the Senior Secured Group or holding company of any Debtor will cease to be a member of Topco Group or a Debtor, to the extent the Company has confirmed to the applicable Security Agent(s) that it is not prohibited by the Finance Documents, if such member of the Topco Group or a Debtor is a borrower, issuer or primary debtor under any Debt Document, such person shall have the right to voluntarily prepay all Liabilities outstanding under any Debt Document.

***Distressed Disposals***

"Distressed Disposal" means a disposal of an asset or shares of, or other financial securities issued by a member of the Senior Secured Group or, in the case of a Third Party Security Provider, any assets or shares or financial securities which are subject to the Transaction Security which is being effected (a) at the request of an Instructing Group in circumstances where the Transaction Security has become enforceable as a result of an acceleration event, (b) by enforcement of the Transaction Security as a result of an acceleration event, or (c) after the occurrence of an acceleration event or the enforcement of security as a result of an acceleration event, by a Debtor or Third Party Security Provider to a person or persons which is not a member of the Senior Secured Group.

If a Distressed Disposal of any asset is being effected, the Security Agents are irrevocably authorized (subject to acting in accordance with certain conditions set out below) at the cost of the relevant Debtor, Third Party Security Provider and the Company and without any consent, sanction, authority or further confirmation from any creditor under the Intercreditor Agreement, Third Party Security Provider or Debtor:

(i) to release the Transaction Security or any other claim over that asset, enter into any release of that Transaction Security or claim and issue any letters of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the applicable Security Agent(s), be necessary or desirable;

(ii) if the asset which is disposed of consists of shares in the capital of a Debtor to release (A) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing, guarantee or other liabilities; (B) any

Transaction Security granted by that Debtor or any subsidiary of that Debtor over any of its assets, and (C) any other claim of an intra-group lender, a Topco Investor, Subordinated Creditor or another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor, on behalf of the relevant creditors, Third Party Security Providers and Debtors;

(iii) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor to release (A) that holding company and any subsidiary of that holding company from all or any part of its borrowing, guarantee or other liabilities; (B) any Transaction Security granted by that holding company or any subsidiary of that holding company over any of its assets, and (C) any other claim of an intra- group lender, a Topco Investor, Subordinated Creditor or a Debtor over that holding company's assets or over the assets of any subsidiary of that Debtor, on behalf of the relevant creditors and Debtors;

(iv) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor and the applicable Security Agent (acting in accordance with the Intercreditor Agreement) decides to dispose of all or any part of the liabilities owed by such Debtor or holding company or any of their subsidiaries to creditors or other Debtors:

(A) (if the applicable Security Agent (acting in accordance with the Intercreditor Agreement) does not intend that any transferee of those liabilities (the "Transferee") will be treated as a Secured Party for the purposes of the Intercreditor Agreement) to execute and deliver or enter into any agreement to dispose of all or part of those liabilities, provided that, notwithstanding any other provision of any Debt Document, the Transferee shall not be treated as a Secured Creditor or Secured Party for the purposes of the Intercreditor Agreement; and

(B) (if the applicable Security Agent (acting in accordance with the Intercreditor Agreement) does intend that any Transferee will be treated as a Secured Party for the purposes of the Intercreditor Agreement) to execute and deliver or enter into any agreement to dispose of all (and not part only) of the liabilities owed to the Secured Parties and all or part of any other liabilities,

on behalf of, in each case, the relevant creditors, Third Party Security Providers and Debtors; and

(v) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor (the "Disposed Entity") and the applicable Security Agent (acting in accordance with the Intercreditor Agreement) decides to transfer to another Debtor (the "Receiving Entity") all or any part of the Disposed Entity's obligations or any obligations of a subsidiary of that Disposed Entity in respect of the intra-group liabilities or liabilities owed to any Debtor, to execute and deliver or enter into any agreement to:

(A) transfer all or part of the obligations in respect of those intra-group liabilities or liabilities to any Debtor on behalf of the relevant intra-group lenders and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and

(B) (provided that the Receiving Entity is a holding company of the Disposed Entity which is also a Guarantor of the Senior Secured Liabilities) to accept the transfer of all or part of the obligations in respect of those intra-group liabilities, liabilities owed to Debtors on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those intra-group liabilities or liabilities owed to Debtors are to be transferred.

The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of liabilities as described above in (iv)) shall be paid to the applicable Security Agent for application in accordance with the provisions set out under "*—Application of Proceeds*" below as if those proceeds were the proceeds of an enforcement of the Transaction Security and, to the extent that any disposal of liabilities has occurred pursuant to (iv) above, as if that disposal of liabilities had not occurred.

In the case of a Distressed Disposal (or a disposal of liabilities pursuant to (iv) and (v) above) effected by, or at the request of, a Security Agent, the applicable Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions (although a Security Agent shall not have any obligation to postpone any such Distressed Disposal or disposal of liabilities in order to achieve a higher price).

If a Distressed Disposal is being effected at a time when the Majority Second Lien Creditors are entitled to give and have given instructions in accordance with the Intercreditor Agreement, a Security Agent is not authorized to release any Debtor, Subsidiary or holding company from any borrowing liabilities, guarantee liabilities or any other liabilities owed to any Senior Secured Creditor unless those borrowing liabilities, guarantee liabilities or any other liabilities and any other Senior Secured Liabilities will be paid (or repaid) in full and the process and conditions set out in the succeeding paragraphs have been satisfied (or, in the case of any contingent liability relating to a letter of credit, cash management facility or an ancillary facility, made the subject of cash collateral arrangements acceptable to the relevant senior creditor) immediately following that release.

If a Distressed Disposal is being effected at a time when the Majority Topco Creditors are entitled to give, and have given instructions in accordance with the Intercreditor Agreement, a Security Agent is not authorized to release any Debtor, subsidiary or holding company from any borrowing liabilities, guarantee liabilities or any other liabilities owed to any Senior Secured Creditor or any Second Lien Creditor unless those borrowing liabilities, guarantee liabilities or any other liabilities and any other Senior Secured Liabilities or Second Lien Liabilities will be paid (or repaid) in full and the process and conditions set out in the succeeding paragraphs have been satisfied (or, in the case of any contingent liability relating to a letter of credit, cash management facility or an ancillary facility, made the subject of cash collateral arrangements acceptable to the relevant senior creditor) immediately following that release.

Where borrowing, guarantee or other liabilities would otherwise be released as described in the paragraphs above, the creditor concerned may elect to have those borrowing, guarantee or other liabilities transferred to a holding company of the Company specified by such creditor, in which case the Security Agents are irrevocably authorized (at the cost of the relevant Debtor or the Company and without any consent, sanction, authority or further confirmation from any creditor or Debtor) to execute such documents as are required to so transfer those borrowing, guarantee or other liabilities.

Subject to the provisions described below, if a Distressed Disposal (or a disposal of liabilities pursuant to paragraphs (iv) and (v) above) is being effected by or at the request of a Security Agent, unless the consent of each Senior Agent and each Senior Secured Notes Trustee (as applicable) has been obtained, it is a further condition to any release, transfer or disposal that:

(i) if, prior to the Super Senior Discharge Date, a Distressed Disposal (or a disposal of liabilities pursuant to paragraphs (a)(iv) and (a)(v)) above) is being effected at a time when the Majority Senior Secured Creditors are entitled to give, and have given instructions in accordance with the provisions set out under "*—Manner of Enforcement*" above on which a Security Agent is acting, that Security Agent is not authorised to release any Debtor, subsidiary or holding company of that Debtor from any borrowing liabilities or guarantee liabilities owed to any Super Senior Creditor unless all the Super Senior Liabilities will be paid (or repaid) in full (in cash, unless the relevant Super Senior Creditor consents to receiving non-cash consideration) following that release;

(ii) the consideration for such sale or disposal is in cash (or substantially all in cash); and

(iii) such sale or disposal is made (A) pursuant to a public auction or other competitive sale process conducted with the advice of an independent or financially recognized investment bank or firm of accountants (or (if all such banks or firms are conflicted), a reputable, independent and internationally recognized third party professional firm which is regularly engaged in providing valuations of businesses or assets similar or comparable to those subject to the relevant Transaction Security) and, in each case, not being an auditor or administrator of the applicable company, a creditor (or an affiliate) and not otherwise advising any creditor in any other capacity in relation to the liabilities (a "Financial Adviser") as selected by the Priority Security Agent (it being acknowledged that the Priority Security Agent has no obligation to select or engage any Financial Advisor until it has been indemnified and/or secured and/or prefunded to its satisfaction), in respect of which the Secured Creditors are entitled to participate (a "Competitive Sales Process"); or (B) (1) (where the Majority Senior Secured Creditors do not constitute the Instructing Group) a Financial Adviser selected by the applicable Security Agent has delivered an opinion (including an enterprise valuation of the Group which can be relied upon by the applicable Security Agent and disclosed to the Senior Secured Creditors, the Second Lien Creditors and the Topco Creditors on a non-reliance basis) that the proceeds received or recovered in connection with such sale or disposal are fair from a financial point of view taking into account all relevant circumstances including the method of enforcement (it being acknowledged that a Security Agent shall have no obligation to select or engage any Financial Adviser unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction), or (2) (where the Majority Senior Secured Creditors do not constitute the Instructing Group), a Financial Adviser selected by the applicable Security Agent has advised and delivered an opinion (which is capable of being relied upon by the applicable Security Agent (and disclosed to the Senior Secured Creditors on a non-reliance basis)) that it is not reasonably practicable to effect a Competitive Sales Process and the same Financial Adviser has delivered an additional opinion (including an enterprise valuation of the Group which can be relied upon by the applicable Security Agent and disclosed to the Senior Secured Creditors, the Second Lien Creditors and the

Topco Creditors on a non-reliance basis) that the proceeds received or recovered in connection with such sale or disposal are fair from a financial point of view taking into account all relevant circumstances including the method of enforcement (it being acknowledged that the applicable Security Agent shall have no obligation to select or engage any Financial Adviser unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

If before the Second Lien Discharge Date, a Distressed Disposal (or a disposal of liabilities pursuant to paragraphs (iv) and (v) above) is being effected such that any Second Lien Liabilities and/or Transaction Security securing Second Lien Liabilities will be released, transferred or disposed of pursuant to the Intercreditor Agreement, it is a further condition to any release, transfer or disposal that either:

(i) each agent and trustee in respect of any Second Lien Liabilities has approved the release, transfer or disposal; or

(ii) where shares or assets of a borrower, issuer or guarantor in respect of Second Lien Liabilities are sold:

(A) the consideration for such sale or disposal is in cash (or substantially all in cash); and

(B) at the time of completion of the sale or disposal the borrowing, guarantee and (to the extent permitted by the Intercreditor Agreement) other liabilities owing to each of the Secured Creditors and Unsecured Creditors by the Debtors and their subsidiaries being sold and disposed of (a "Relevant Claim") are (to the same extent) unconditionally released and discharged or sold or disposed of concurrently with such sale (and not assumed by the purchaser or its affiliates), and all security under documents creating security in respect of the secured obligations in respect of the assets of such members of the Senior Secured Group is simultaneously and unconditionally released and discharged concurrently with such sale, provided that, if each Senior Agent and Senior Secured Notes Trustee (acting reasonably and in good faith) determines that the Senior Secured Creditors will recover a greater cash amount if such Relevant Claim is sold or otherwise transferred to the purchaser or its affiliates and not released or discharged and provided such amount is nevertheless less than the aggregate amount of outstanding Senior Secured Liabilities, which shall be deemed to be the case if there are no bidders) or if each Senior Agent and Senior Secured Notes Trustee (acting reasonably and in good faith) determines that there are no bona fide and fully committed bids in cash or substantially all in cash in excess of the outstanding amount of Senior Secured Liabilities and serves a written notice on the applicable Security Agent confirming the same, then the applicable Security Agent shall be entitled immediately to sell and transfer such Relevant Claim to the purchaser or its affiliate; and

(C) such sale or disposal (including any sale or disposal of any claim) is made pursuant to a Competitive Sales Process (1) (where the Majority Senior Secured Creditors do not constitute the Instructing Group), or where a Financial Adviser selected by the applicable Security Agent has delivered an opinion (including an enterprise valuation of the Group which can be relied upon by the applicable Security Agent and disclosed to the Senior Secured Creditors, the Second Lien Creditors and the Topco Creditors on a non-reliance basis) that the proceeds received or recovered in connection with such sale or disposal are fair from a financial point of view taking into account all relevant circumstances including the method of enforcement (it being acknowledged that a Security Agent shall have no obligation to select or engage any Financial Adviser unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction), or (2) (where the Majority Senior Secured Creditors do not constitute the Instructing Group), a Financial Adviser selected by the applicable Security Agent has advised and delivered an opinion (which is capable of being relied upon by the applicable Security Agent (and disclosed to the Senior Secured Creditors on a non-reliance basis)) that it is not reasonably practicable to effect a Competitive Sales Process and the same Financial Adviser has delivered an additional opinion (including an enterprise valuation of the Group which can be relied upon by the applicable Security Agent and disclosed to the Senior Secured Creditors, the Second Lien Creditors and the Topco Creditors on a non-reliance basis) that the proceeds received or recovered in connection with such sale or disposal are fair from a financial point of view taking into account all relevant circumstances including the method of enforcement (it being acknowledged that the applicable Security Agent shall have no obligation to select or engage any Financial Adviser unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

If before the Topco Discharge Date, a Distressed Disposal (or a disposal of liabilities pursuant to paragraphs (iv) and (v) above) is being effected such that any Topco Liabilities or Transaction Security securing Topco Liabilities will be released, transferred or disposed of pursuant to the provisions described above, it is a further condition to any release, transfer or disposal that either:

(i) each agent and trustee in respect of any Topco Liabilities has approved the release, transfer or disposal; or

(ii) where shares or assets of a borrower, issuer or guarantor in respect of Topco Liabilities are sold:

(A) the consideration for such sale or disposal is in cash (or substantially all in cash); and

(B) at the time of completion of the sale or disposal the borrowing, guarantee and (to the extent permitted by the Intercreditor Agreement) other liabilities owing to each of the Secured Creditors and Unsecured Creditors by the Debtors and their subsidiaries being sold and disposed of (a "Relevant Claim") are (to the same extent) unconditionally released and discharged or sold or disposed of concurrently with such sale (and not assumed by the purchaser or its affiliates), and all security under documents creating security in respect of the secured obligations in respect of the assets of such members of the Senior Secured Group is simultaneously and unconditionally released and discharged concurrently with such sale, provided that, if each Senior Agent and Senior Secured Notes Trustee and each agent and trustee in respect of any Second Lien Liabilities (acting reasonably and in good faith) determines that the Priority Secured Parties will recover a greater cash amount if such Relevant Claim is sold or otherwise transferred to the purchaser or its affiliates and not released or discharged and provided such amount is nevertheless less than the aggregate amount of outstanding Priority Secured Liabilities, which shall be deemed to be the case if there are no bidders or if each Senior Agent, Senior Secured Notes Trustee and each agent and trustee in respect of any Second Lien Liabilities (acting reasonably and in good faith) determines that there are no bona fide and fully committed bids in cash or substantially all in cash in excess of the outstanding amount of the Priority Secured Liabilities and serves a written notice on the applicable Security Agent confirming the same, then the applicable Security Agent shall be entitled immediately to sell and transfer such Relevant Claim to the purchaser or its affiliate; and

(C) such sale or disposal (including any sale or disposal of any claim) is made pursuant to a Competitive Sales Process or (1) (where the Majority Senior Secured Creditors do not constitute the Instructing Group), where a Financial Adviser selected by the applicable Security Agent has delivered an opinion (including an enterprise valuation of the Group which can be relied upon by the applicable Security Agent and disclosed to the Senior Secured Creditors, the Second Lien Creditors and the Topco Creditors on a non-reliance basis) that the proceeds received or recovered in connection with such sale or disposal are fair from a financial point of view taking into account all relevant circumstances including the method of enforcement (it being acknowledged that a Security Agent has no obligation to select or engage any Financial Adviser unless it has been indemnified and/or secured and/or prefunded to its satisfaction), or (2) (where the Majority Senior Secured Creditors do not constitute the Instructing Group), a Financial Adviser selected by the applicable Security Agent has advised and delivered an opinion (which is capable of being relied upon by the applicable Security Agent (and disclosed to the Senior Secured Creditors on a non-reliance basis)) that it is not reasonably practicable to effect a Competitive Sales Process and the same Financial Adviser has delivered an additional opinion (including an enterprise valuation of the Group which can be relied upon by the applicable Security Agent and disclosed to the Senior Secured Creditors, the Second Lien Creditors and the Topco Creditors on a non-reliance basis) that the proceeds received or recovered in connection with such sale or disposal are fair from a financial point of view taking into account all relevant circumstances including the method of enforcement (it being acknowledged that the applicable Security Agent shall have no obligation to select or engage any Financial Adviser unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

When acting for the purposes of the above paragraphs, the applicable Security Agent(s) shall always act (i) if the relevant Distressed Disposal is being effected by way of enforcement of the Transaction Security in accordance with the provisions set out under "*—Manner of Enforcement"* above, and (ii) in any other case on the instructions of the Instructing Group, or in the absence of such instructions, as the applicable Security Agent sees fit (which may include taking no action).

### *Application of Proceeds*

*Order of Application—Transaction Security*

Subject to certain provisions set out in the Intercreditor Agreement and to the proviso described below, all amounts from time to time received or recovered by the Priority Security Agent pursuant to the terms of any Debt Document (other than amounts in respect of Topco Independent Transaction Security or any other security which is not Transaction Security or any guarantees provided by any holding company of a Topco Borrower which is not a member of the Senior Secured Group or any subsidiary of any holding company of the Company (other than a member of the Senior Secured Group) in respect of any Topco Liabilities or Topco Proceeds Loan Liabilities) or in connection with the realization or enforcement of all or any part of the Transaction Security shall be applied at any time as the Priority Security Agent (in its discretion) sees fit to the extent permitted by applicable law, in the following order of priority:

(i) in discharging any Agent Liabilities relating to the Senior Secured Liabilities, the Second Lien Liabilities or the Topco Liabilities and any sums owed to any Security Agent and any receiver or delegate on a *pari passu* basis;

(ii) in payment of all costs and expenses incurred by any agent or Secured Creditor in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Priority Security Agent under the Intercreditor Agreement;

(iii) if the Super Senior Discharge Date has not occurred, for application towards the discharge of:

(A) the Super Senior Lender Liabilities and liabilities to arrangers and agents thereof; and

(B) Hedging Liabilities that have been designated by the Company as ranking alongside the Super Senior Lender Liabilities (the "Super Senior Hedging Liabilities") (on a pro rata basis between the Super Senior Hedging Liabilities of each hedge counterparty),

on a pro rata basis and ranking *pari passu* between paragraphs (A) and (B) above;

(iv) if or after the Super Senior Discharge Date has occurred, for application towards the discharge of:

(A) the Senior Lender Liabilities and liabilities to arrangers thereof;

(B) the Senior Secured Notes Liabilities;

(C) the Cash Management Facility Liabilities; and

(D) the Hedging Liabilities which are not Super Senior Hedging Liabilities,

on a pro rata basis and ranking *pari passu* between paragraphs (A), (B), (C) and (D) above;

(v) for application towards the discharge of (x) the Second Lien Lender Liabilities and liabilities to arrangers thereof, and (y) the Second Lien Notes Liabilities, on a pro rata basis and ranking *pari passu* between themselves; and

(vi) solely to the extent such proceeds are from the realization or enforcement of the Topco Shared Security and any guarantees provided by a Topco Guarantor that is a member of the Senior Secured Group or Third Party Security Provider in respect of the Topco Liabilities, in payment to the Topco Security Agent for application in accordance with the section entitled "*Order of Application—Topco Independent Transaction Security*" below;

(vii) if none of the Debtors or Third Party Security Providers is under any further actual or contingent liability under any Secured Debt Document relating to the Senior Secured Liabilities, the Second Lien Liabilities or the Topco Liabilities, in payment to any other person to whom the Priority Security Agent is obliged to pay in priority to any Debtor or Third Party Security Provider; and

(viii) the balance, if any, in payment to the relevant Debtor,

provided that, all amounts from time to time received or recovered by the Priority Security Agent from or in respect of a Topco Borrower pursuant to the terms of any Debt Document (other than in connection with the realization or enforcement of all or any part of the Transaction Security or Topco Independent Transaction Security) shall be held by the Priority Security Agent on trust to apply at any time as the Priority Security Agent (in its discretion) sees fit to the extent permitted by applicable law, in the following order of priority:

(A) in accordance with paragraph (i) above;

(B) in accordance with paragraph (ii) above;

(C) in accordance with paragraphs (iii), or (as the case may be) (iv) and (v) above (in each case only to the extent there are liabilities due from the relevant Topco Borrower to such creditors) provided that payments will be made on a pro rata basis and *pari passu* basis across all Liabilities subject to such paragraphs;

(D) if none of the Debtors are under any further actual or contingent liability under any Secured Debt Document, in payment to any person to whom the Priority Security Agent is obliged to pay in priority to any Debtor or Third Party Security Provider; and

(E) the balance, if any, in payment to the relevant Debtor.

*Order of Application—Topco Independent Transaction Security*

Subject to certain provisions set out in the Intercreditor Agreement, all amounts from time to time received or recovered by the Topco Security Agent pursuant to the terms of any Topco Document in connection with the realization or enforcement of Topco Independent Transaction Security or any guarantees provided by a Topco Guarantor (other than a member of the Senior Secured Group) (the "Topco Recoveries") shall be applied at any time as the Topco Security Agent sees fit, in the following order of priority:

(i) in discharging any Agent Liabilities in respect of the Topco Liabilities (to the extent related to such Topco Recoveries), the Topco Security Agent and any receiver or delegate, on a *pari passu* basis;

(ii) in payment of all costs and expenses incurred by any agent or Topco Creditor in connection with any realization or enforcement of the Topco Independent Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Topco Security Agent under the Intercreditor Agreement;

(iii) for application towards the discharge of:

(A) the Topco Facility Liabilities; and

(B) the Topco Notes Liabilities,

on a pro rata basis and ranking *pari passu* between paragraphs (A) and (B) above;

(iv) if none of the Debtors or Third Party Security Providers or Topco Independent Obligors is under any further actual or contingent liability in respect of the Secured Liabilities, in payment to any other person whom the Topco Security Agent is obliged to pay in priority to any Debtor or Third Party Security Provider or Topco Independent Obligor; and

(v) the balance, if any, in payment to the relevant Debtor.

***Equalization***

The Intercreditor Agreement will provide that if, for any reason, any liabilities relating to Super Senior Liabilities, Senior Secured Liabilities, Second Lien Liabilities or Topco Liabilities remain unpaid after the first date on which certain types of Enforcement Action are taken (the "Enforcement Date") and the resulting losses are not borne by the creditors in any given specified class in the proportions which their respective exposures at the Enforcement Date bore to the aggregate exposures of all the creditors in that specified class at the Enforcement Date, the relevant class of creditors will make such payments amongst themselves as the applicable Security Agent shall require to put the relevant creditors in such a position that (after taking into account such payments) those losses are borne in those proportions.

***Required Consents***

The Intercreditor Agreement will provide that, subject to certain exceptions, its terms may be amended or waived only with the consent of the Company, the agents and trustees for the Secured Parties, and each Security Agent, provided that to the extent that an amendment, waiver or consent only affects one class of creditors, and such amendment, waiver or consent could not reasonably be expected materially or adversely to affect the interests of the other classes of creditors, only written agreement from the relevant agent or trustee acting on behalf of the affected class (or in the case of hedge counterparties, each affected hedge counterparty) shall be required.

An amendment or waiver of the Intercreditor Agreement that has the effect of changing or which relates to, among other matters, the provisions set out under "*—Application of Proceeds*" above and the order of priority or subordination under the Intercreditor Agreement shall not be made without the consent of

(i) each of the agents or trustees (acting in accordance with the relevant finance documents) under the Senior Liabilities, the Super Senior Liabilities, the Second Lien Liabilities and the Topco Liabilities (including any Super Senior Agent acting on behalf of the Majority Super Senior Creditors),

(ii) each Cash Management Facility Lender (only to the extent that the proposed amendment or waiver would materially adversely affect the rights and obligations of such Cash Management Facility Lender under the Intercreditor Agreement and would not materially adversely affect the rights and obligations of any other creditor or class of creditors),

(iii) each hedge counterparty (only to the extent that the proposed amendment or waiver would materially adversely affect the rights and obligations of such hedge counterparty under the Intercreditor Agreement and would not materially adversely affect the rights and obligations of any other creditor or class of creditors), and

(iv) the Company.

An amendment or waiver of the Intercreditor Agreement that has the effect of changing or which relates to: (i) the definition of Majority Super Senior Creditors or Majority Super Senior Lenders or (ii) the definition of Instructing Group, the provisions relating to the option to purchase of the Senior Secured Creditors under the Intercreditor Agreement, the provisions set out under "*—Enforcement of Transaction Security*", "*—Distressed Disposals*" or "*—Equalization*" above, or the Enforcement Principles, but only to the extent that it would (x) materially adversely affect the rights and obligations of the Super Senior Creditors under the Intercreditor Agreement in their capacity as such; and (y) would not materially adversely affect the rights and obligations of any creditor or class of creditors other than the Super Senior Creditors (solely in their capacity as such), will (in addition to any other consents required under this Agreement) require the consent of the majority super senior lenders under the Senior Secured Credit Facilities Agreement (the "Majority Super Senior Lenders").

Each agent or trustee shall, to the extent instructed to consent by the requisite percentage of creditors it represents or as otherwise authorized by the Debt Documents to which it is party, act on such instructions or authorizations in accordance therewith (save to the extent any amendments so consented or authorized to relate to any provision affecting the personal rights and obligations of that agent or trustee in its capacity as such).

*Amendments and Waivers: Transaction Security Documents*

Subject to certain exceptions under the Intercreditor Agreement (as described below) or as permitted by the Debt Documents, (i) the applicable Security Agent may, if the Company consents, amend the terms of, release or waive any of the requirements of or grant consents under, any document creating Transaction Security or Topco Independent Transaction Security which shall be binding on each party, (ii) each Security Agent may, if the Company consents, amend, release and/or retake any Transaction Security Document where such amendment, release and/or retake is required in order to ensure the validity, perfection or priority of the Transaction Security purported to be created under such Transaction Security Document, together with any related or consequential waiver (including by reason of a failure to register such Transaction Security Document with Companies House within the prescribed time limit set out in section 859 of the Companies Act 2006, in which case each Security Agent shall also irrevocably waive any payment or other obligation or default arising out of such failure to register) and any such amendment, release, waiver and retake shall be binding on each party and (iii) the prior consent of the relevant Secured Parties is required to authorize any amendment, release or waiver of, or consent under, any document creating Transaction Security which would adversely affect the nature or scope of the assets subject to Transaction Security or the manner in which the proceeds of enforcement of the Transaction Security or Topco Independent Transaction Security are distributed, such amendment may not be made without the prior consent of:

(i) each of the agents or trustees other than an agent under any Cash Management Facility, if appointed (acting in accordance with the relevant finance documents) under the Senior Liabilities, the Super Senior Liabilities, the Second Lien Liabilities and the Topco Liabilities;

(ii) each Cash Management Facility Lender or the agent for the relevant Cash Management Facility on its behalf but only to the extent that the proposed amendment or waiver would materially adversely affect the rights and obligations of such Cash Management Facility Lender under the relevant document creating Transaction Security or Topco Independent Transaction Security in their capacity as such and would not materially adversely affect the rights and obligations of any other creditor or class of creditors;

(iii) each hedge counterparty (only to the extent that the proposed amendment or waiver would materially adversely affect the rights and obligations of such hedge counterparty under the under the relevant document creating Transaction Security or Topco Independent Transaction Security and would not materially adversely affect the rights and obligations of any other creditor or class of creditors); and

(iv) the Company.

*Exceptions*

Subject to the paragraph below, an amendment, waiver or consent which relates to the rights or obligations which are personal to an agent, an arranger or a Security Agent in its capacity as such (including any ability of that Security Agent to act in its discretion under the Intercreditor Agreement) may not be effected without the consent of that agent, arranger or, as the case may be, that Security Agent.

The preceding paragraph and the first paragraph above under "*—Amendments and Waivers: Transaction Security Documents*" are subject to certain exceptions under the Intercreditor Agreement, relating in particular to (i) any release of Transaction Security or Topco Independent Transaction Security, claims or liabilities, or (ii) to any amendment waiver or consent, which, in each case, the applicable Security Agent gives in accordance with the provisions of the Intercreditor Agreement relating to the incurrence of additional or refinancing debt or the provisions set out under "*—New Debt Financings*," "*—Non-Distressed Disposals*" and "*—Distressed Disposals*" above. Any release, amendment, waiver or consent effected in accordance with the relevant provisions of the Debt Documents relating to such matters can be effected solely by the Company and the applicable Security Agent.

*Snooze/Lose*

If in relation to a request for a consent, to participate in a vote of a class of creditors, to approve any action or to provide any confirmation or notification, in each case, under the Intercreditor Agreement (or any other Debt Document other than a notes indenture which does not contain a similar snooze/lose provision), any creditor fails to respond to the request within ten (10) Business Days (or any other period of time notified by the Company, with the agreement of each of the agents or trustee in the case of a shorter period of time) or fails to provide details of its credit participation, such creditor will be disregarded or be deemed to have zero participation in respect of the matter or be deemed to have provided the relevant confirmation or notification, as applicable.

*Provisions Following an IPO*

On or following an initial public offering of a member of the Senior Secured Group (or a holding company thereof) (an "IPO"), the Company is entitled to give notice that the terms of the Debt Documents will automatically operate so that, amongst other things, (i) the Senior Secured Group (and all related provisions) will now refer to the member of the Senior Secured Group or holding company of the Company who will issue shares or whose shares are to be sold pursuant to such IPO (the "IPO Pushdown Entity," and if any Topco Notes are not refinanced in full on or before the date of such IPO, the IPO Pushdown Entity shall be the Topco Borrower) and its Restricted Subsidiaries, (ii) all financial ratio calculations shall be made excluding any holding company of the IPO Pushdown Entity, (iii) certain provisions of the Debt Documents (including representations, undertakings and events of default) will cease to apply to any holding company of the IPO Pushdown Entity.

Each holding company of the IPO Pushdown Entity shall be released from all obligations under the Debt Documents (including any Transaction Security or Topco Independent Transaction Security) and each Subordinated Creditor, Third Party Security Provider, Investor (as defined in the Senior Secured Credit Facilities Agreement) or Topco Independent Obligor will be released from its obligations and restrictions under the Intercreditor Agreement in the appropriate capacity.

Subject to the consent of the majority lenders under and as defined in the Senior Lender Liabilities, noteholders representing more than 50% of any Senior Secured Notes Liabilities, the majority lenders under and as defined in any Second Lien Facility Agreement, noteholders representing more than 50% of any Second Lien Notes Liabilities, the majority lenders under and as defined in any Topco Facility and noteholders representing more than 50% of any Topco Notes Liabilities (following the relevant IPO), the IPO Pushdown Entity and each of its subsidiaries shall also be released from all obligations as Debtor and guarantor under the Debt Documents and from the Transaction Security or Topco Independent Transaction Security (other than, in each case, borrowing liabilities). Each party to the Intercreditor Agreement shall be required to enter into any amendment, release or replacement of any Debt Document required to facilitate such matters.

*Agreement to Override*

Unless expressly stated otherwise therein, the Intercreditor Agreement overrides anything in any other Debt Documents to the contrary.

*Topco Security Agent*

Following the Priority Discharge Date, any reference to the Priority Security Agent in any provision of the Intercreditor Agreement which remains applicable following the Priority Discharge Date shall be deemed to be a reference to the Topco Security Agent.

## DESCRIPTION OF THE NOTES

You will find definitions of certain capitalized terms used in this "*Description of the Notes*" under the heading "*—Certain Definitions*." For purposes of this "*Description of the Notes*," references to (i) the "**Issuer**" are to Ardonagh Midco 2 plc, and its successors, only and not to any of its Subsidiaries and (ii) "**Holdco**" are to Ardonagh Midco 1 Ltd., and its successors, only and not to any of its Subsidiaries. References to "**we**" or "**us**" or the "**Group**" are to the Issuer and its Subsidiaries, taken as a whole. Unless the context otherwise requires, for all purposes of the Indenture and this "*Description of the Notes*", references to "**Notes**" shall be deemed to include the Notes initially issued on the Issue Date, as well as any Additional Notes (as defined herein) (including any PIK Notes (as defined herein) that are actually issued) and references to "**principal amount**" of any Note shall be deemed to include any increase in the principal amount of that Note as a result of a payment of PIK Interest (as defined herein).

The Issuer will issue $500 million aggregate principal amount of % / % Senior PIK Toggle Notes due 2026 (the "**Initial Notes**"). The Notes will be issued under an indenture to be dated as of , 2020 (the "**Indenture**"), between, the Issuer, Ankura Trust Company, LLC, as trustee (the "**Trustee**"), as initial paying agent, as transfer agent (the "**Transfer Agent**"), as registrar (the "**Registrar**"), and as security agent (the "**Security Agent**"), in a private transaction that is not subject to the registration requirements of the U.S. Securities Act. The Indenture will not be qualified under the U.S. Trust Indenture Act of 1939, as amended.

The following description is a summary of the material provisions of the Indenture and the Notes and refers to the Security Documents and the Intercreditor Agreement. It does not restate those agreements in their entirety. We urge you to read the Indenture, the Notes, the Security Documents and the Intercreditor Agreement because they, and not this description, define your rights as Holders of the Notes. Copies of the Indenture, the form of Notes, the Security Documents and the Intercreditor Agreement are available as set forth in this Offering Memorandum under the caption "*Where You Can Find More Information* ".

The Issuer intends to use the proceeds of the Offering, together with certain proceeds from drawings under the Term Facility, (i) to fund the Existing Notes Redemption; (ii) to repay drawn amounts under the Existing Revolving Credit Facility Agreement; (iii) to fund the Arachas Acquisition, the Bravo Acquisition and the Bennetts Acquisition, (iv) to pay the fees and expenses incurred in connection with the Transactions, including fees and expenses incurred in connection with the Offering and redemption costs incurred in connection with the Existing Notes Redemption; and (v) for general corporate purposes. See "*Use of Proceeds*" and "*Capitalization*".

The Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreement (as defined below). The terms of the Intercreditor Agreement are important to understanding relative ranking of indebtedness and security, the ability to make payments in respect of the indebtedness, procedures for undertaking enforcement action, subordination of certain indebtedness (including the Note Guarantees), turnover obligations, release of security and guarantees, and the payment waterfall for amounts received by the Security Agent.

The registered Holder of a Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Notes have not been, and will not be, registered under the U.S. Securities Act and are subject to certain transfer restrictions.

As of the Issue Date, all of our Subsidiaries will be "Restricted Subsidiaries" for purposes of the Indenture. However, under the circumstances described below under "*—Certain Definitions—Unrestricted Subsidiary*", we will be permitted to designate certain of our Subsidiaries as "Unrestricted Subsidiaries". Our Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture and will not guarantee the Notes.

### The Notes

The Notes will:

- be general senior obligations of the Issuer;
- secured as set forth under "*—Security*";
- rank *pari passu* in right of payment with any existing and future Indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes;

- rank senior in right of payment to any existing and future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;
- be effectively subordinated to any existing or future Indebtedness or obligation of the Issuer and its Subsidiaries that is secured by property and assets that do not secure the Notes or that is secured on a first-priority basis over property or assets that secure the Notes on a second-priority basis, to the extent of the value of the property and assets securing such Indebtedness, including the obligations under the Senior Secured Credit Facilities Agreement;
- be guaranteed on a senior subordinated basis by the Guarantors as described under "*—The Note Guarantees*";
- be structurally subordinated to any existing or future Indebtedness of the Subsidiaries of the Issuer that are not Guarantors, including obligations to trade creditors;
- mature on , 2026; and
- be represented by one or more registered notes in global registered form, but in certain circumstances may be represented by Definitive Registered Notes (see "*Book-Entry, Delivery and Form*").

All of the operations of the Issuer will be conducted through its subsidiaries (the "**Group**") and, therefore, the Issuer will depend on the cash flow of the Group to meet its obligations, including its obligations under the Notes. Under applicable local regulations, cash and cash equivalents held by the Group can only be upstreamed to their direct or indirect parent entities, including to the Issuer for purposes of servicing the Notes, to the extent that sufficient profits available for distribution exist within these legal entities and that they continue to meet relevant minimum regulatory capital requirements, as applicable. As of March 31, 2020, after giving *pro forma* effect to the Transactions as if they had occurred on that date, the Issuer and its consolidated Subsidiaries would have had £2,030.5 million (equivalent) of indebtedness, of which £1,575.0 million (equivalent) is senior secured indebtedness. In addition, there would have been £471.5 million (equivalent) available for drawing under the New Revolving Credit Facility and the CAR Facility.

## The Note Guarantees

### *General*

Subject to and in accordance with the Agreed Security Principles, the Notes will be guaranteed on a senior subordinated basis on:

(a) the Issue Date, by Ardonagh Midco 3 plc (the "**Original Guarantor**");

(b) the date that is the earlier of (i) the date that such entity provides a guarantee under the Senior Secured Credit Facilities Agreement and (ii) 90 days from (but excluding) the Issue Date, each of the subsidiaries of the Issuer that provides a guarantee under the Senior Secured Credit Facilities Agreement, which entities are expected to be Ardonagh Advisory Holdings Limited, Ardonagh Finco Plc, Ardonagh Services Limited, Ardonagh Specialty Holdings Limited, Atlanta 1 Insurance Services Limited, Bishopsgate Insurance Brokers Limited, Carole Nash Insurance Consultants Limited, Geo Underwriting Services Limited, Health and Protection Solutions Limited, Paymentshield Limited, Price Forbes & Partners Limited, Swinton Group Limited, Towergate Underwriting Group Ltd and URIS Group Limited (collectively, the "**Post-Closing Guarantors**");

(c) the date that is the earlier of (i) the date that such entity provides a guarantee under the Senior Secured Credit Facilities Agreement and (ii) 90 days from (but excluding) the Bravo Closing Date, each of the subsidiaries of Bravo that provides a guarantee under the Senior Secured Credit Facilities Agreement, which entities are expected to be Bravo Investment Holdings 3 Limited, Bravo Investment Holdings 4 Limited, The Broker Network Limited, Finch Commercial Insurance Brokers Ltd, Hawkwood Investment Holdings Limited and Verulam Holdings Limited (the "**Bravo Guarantors**");

(d) the date that is the earlier of (i) the date that such entity provides a guarantee under the Senior Secured Credit Facilities Agreement and (ii) 90 days from (but excluding) the Bennetts Closing Date, Bennetts Motorcycling Services Limited ("**Bennetts Guarantor**"); and

(e) the date that is the earlier of (i) the date it provides a guarantee under the Senior Secured Credit Facilities Agreement and (ii) 90 days from (but excluding) the Arachas Closing Date, any subsidiary of Arachas that provides a guarantee under the Senior Secured Credit Facilities Agreement, which is expected to be Arachas Corporate Brokers Limited (and together with the Original Guarantors, the Post-Closing Guarantors the Bennetts Guarantor and the Bravo Guarantors, the "**Guarantors**").

In addition, subject to the provisions of the Intercreditor Agreement and the Agreed Security Principles, certain other Restricted Subsidiaries may provide a Note Guarantee in the future if required by the covenant described under "*—Certain Covenants—Limitation on Additional Guarantees*". The Note Guarantees will be joint and several obligations of the Guarantors.

The Note Guarantee of each Guarantor will:

- be a general senior subordinated obligation of that Guarantor;
- secured as set forth under "*—Security*";
- be subordinated in right of payment to all of the Guarantors' existing and future senior indebtedness, including any obligations under the Senior Secured Credit Facilities Agreement and certain hedging obligations;
- rank senior in right of payment to any existing and future Indebtedness of such Guarantor that is expressly subordinated in right of payment to such Note Guarantee;
- be effectively subordinated to any existing or future Indebtedness or obligation of such Guarantor that is secured by property and assets that do not secure such Note Guarantee or that is secured on a first-priority basis over property or assets that secure the Notes on a second-priority basis, to the extent of the value of the property and assets securing such Indebtedness, including the obligations under the Senior Secured Credit Facilities Agreement; and
- be structurally subordinated to any existing or future Indebtedness of the Subsidiaries of such Guarantor that are not Guarantors, including obligations to trade creditors.

The obligations of a Guarantor under its Note Guarantee will be limited as necessary to prevent the relevant Note Guarantee from constituting a fraudulent conveyance, preference, transfer at under value or unlawful financial assistance under applicable law, or otherwise to reflect corporate benefit rules, "thin capitalization" rules, retention of title claims, laws on the preservation of share capital, limitations of corporate law, regulations or defenses affecting the rights of creditors generally or other limitations under applicable law which, among other things, might limit the amount that can be guaranteed by reference to the net assets and legal capital of the relevant Guarantor. In particular, the Note Guarantees granted by Atlanta 1 Insurance Services Limited, Bishopsgate Insurance Brokers Limited, Geo Underwriting Services Limited, Carole Nash Insurance Consultants Limited, Health and Protection Solutions Limited, Paymentshield Limited, Price Forbes & Partners Limited, Swinton Group Limited, Towergate Underwriting Group Ltd, URIS Group Limited, Bennetts Motorcycling Services Limited, Finch Commercial Insurance Brokers Limited, Arachas Corporate Brokers Limited and The Broker Network Limited will be contractually limited such that upon enforcement of any such Note Guarantee, Holders will have recourse only to cash available to the Group from time to time that the Board of Directors of the Issuer, acting reasonably and in good faith, determines may be paid to the holders of the Notes without causing any member of the Group to breach its obligations under all applicable laws and regulations including solvency and capital adequacy requirements as part of our regulatory obligations set out by the FCA or the Central Bank of Ireland, as applicable. Additionally, the Note Guarantees will be subject compliance with to certain corporate law procedures. The Note Guarantees will be further limited as required under the Agreed Security Principles which apply to and restrict the granting of guarantees and security in favor of obligations under the Senior Secured Credit Facilities Agreement and the Notes where, among other things, any such grant would be restricted by general statutory or other legal limitations or requirements and may be precluded if the cost of such grant is disproportionate to the benefit to the creditors, including the Holders, of obtaining the applicable guarantee. By virtue of these limitations, a Guarantor's obligation under its Note Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Note Guarantee.

Claims of creditors of non-Guarantor Restricted Subsidiaries, including trade creditors and creditors holding debt and guarantees issued by those Restricted Subsidiaries, and claims of preferred stockholders (if any) of those Restricted Subsidiaries and minority stockholders of non-Guarantor Restricted Subsidiaries (if any) generally will have priority with respect to the assets and earnings of those Restricted Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including Holders of the Notes. The Notes and each Note Guarantee therefore will be structurally subordinated to creditors (including trade creditors) and preferred stockholders (if any) of Restricted Subsidiaries of the Issuer (other than the Guarantors) and minority stockholders of non-Guarantor Restricted Subsidiaries (if any). Although the Indenture will limit the Incurrence of Indebtedness, Disqualified Stock and Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Indenture will not impose any limitation on the Incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture. See "*—Certain Covenants—Limitation on Indebtedness*."

***Subordination of the Note Guarantees***

Each of the Note Guarantees is a senior subordinated Note Guarantee, which means that, pursuant to the terms of the Intercreditor Agreement, each such Note Guarantee ranks behind, and is expressly subordinated to, all the existing and future Senior Indebtedness of the relevant Guarantor, including any obligations owed by the relevant Guarantor under the Senior Secured Credit Facilities Agreement, certain hedging obligations and any other indebtedness ranking *pari passu* therewith incurred after the Issue Date. The ability to take enforcement action against the Guarantors under their Note Guarantees is subject to significant restrictions imposed by the Intercreditor Agreement and the terms of the Note Guarantees, and potentially any Additional Intercreditor Agreement entered into after the Issue Date.

In addition, the Note Guarantees and the Collateral are subject to release under certain circumstances, including, but not limited to, certain enforcement actions taken by the Security Agent acting at the direction of an instructing group of senior secured creditors. Because of the foregoing subordination provisions, it is likely that holders of Senior Indebtedness of the Guarantors would recover disproportionately more than the holders of the Notes in any insolvency or similar proceeding relating to such entity. In any such case, there may be insufficient assets, or no assets, remaining to pay the principal of or interest on the Notes after the repayment in full of all Senior Indebtedness. The Note Guarantees will also be subject to the terms of the Intercreditor Agreement, including payment blockage upon a senior default and standstill on enforcement. For a description of the restrictions imposed by the Intercreditor Agreement, see "*Description of Other Indebtedness and Financing Arrangements—Intercreditor Agreement*".

***Note Guarantees Release***

The Note Guarantee of a Guarantor will automatically and unconditionally terminate and release:

- upon a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of the relevant Guarantor (whether by direct sale or sale of a Holding Company), if the sale or other disposition is not prohibited by the Indenture and the Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;
- so long as no Event of Default has occurred and is continuing, to the extent that such Guarantor that provides a Guarantee under the Senior Secured Credit Facilities Agreement (i) is unconditionally released and discharged from its liability with respect to the Senior Secured Credit Facilities Agreement and (ii) is not providing a Guarantee in respect of any other Credit Facility that replaces the Senior Secured Credit Facilities Agreement or any Public Debt at such time that will not also be released substantially simultaneously with the release of the Notes Guarantee and/or a Guarantee under the Senior Secured Credit Facilities Agreement;
- upon the sale or disposition (including by way of consolidation or merger) of all or substantially all the assets of the Guarantor (other than to the Issuer or any of its Restricted Subsidiaries), if the sale or other disposition is not prohibited by the Indenture;
- upon the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary;
- with respect to any Guarantor, in connection with a solvent liquidation of such Guarantor pursuant to which substantially all of the assets of such Guarantor remain owned by the Issuer or a Restricted Subsidiary;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Notes, as provided in "*—Defeasance"* and "*—Satisfaction and Discharge*";
- upon the release of the Guarantor's Note Guarantee under any Indebtedness that triggered such Guarantor's obligation to Guarantee the Notes under the covenant described in "*—Certain Covenants—Limitation on Additional Guarantees*";
- in accordance with the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement;
- as described under "*—Amendments and Waivers*";
- in connection with the implementation of a Permitted Reorganization;
- with respect to an entity that is not the successor Guarantor, as a result of a transaction permitted by "*—Merger and Consolidation—The Guarantors*"; or
- in connection with any regulatory redress liability management exercise pursuant to clause (24) of the definition of Asset Disposition or clause (21) of the definition of Permitted Investments.

The Trustee and the Security Agent shall execute any documents or take all necessary actions reasonably requested in writing by the Issuer, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Trustee and the Security Agent without the consent of or liability to the Holders or any other action or consent on the part of the Trustee or the Security Agent.

**Principal, Maturity and Interest**

On the Issue Date, the Issuer will issue $500 million in aggregate principal amount of Notes. The Issuer may issue an unlimited principal amount of Additional Notes under the Indenture from time to time as PIK Interest. Any issuance of Additional Notes is subject to all of the covenants in the Indenture, including the covenant described under "*—Certain Covenants—Limitation on Indebtedness*". The Notes and any Additional Notes subsequently issued under the Indenture will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase, except as otherwise provided in the Indenture. See "*—Additional Notes*". The Notes will be issued in minimum denominations of $200,000 and integral multiples of $1.00 in excess thereof (and any PIK Notes, if issued, may be issued in minimum denominations of $1.00 and and integral multiples of $1.00 in excess thereof). The Notes will mature on , 2026.

Interest on the Notes will accrue at the rate of % per annum (in the case of Cash Interest (as defined below)) and % per annum (in the case of PIK Interest). Interest on the Notes will:

- accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid;
- be payable semi-annually in arrears on and , commencing on ;
- be payable, for so long as the Notes are Global Notes (as defined below) to the Holder of record of the Notes at the close of business (in DTC, Euroclear or Clearstream (in each case, as applicable, the "**Relevant Clearing System**")) to the Holders of record of the Notes on and immediately preceding the related interest payment date; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

Interest shall be payable:

(a) for any interest period that begins prior to the second anniversary of the Issue Date, at the option of the Issuer (in its sole discretion), (i) entirely in cash (any interest paid in cash being referred to herein as "**Cash Interest**"), (ii) entirely by increasing the principal amount of outstanding Notes or by issuing Additional Notes (the "**PIK Notes**") (any such interest paid by increasing the outstanding principal amount of Notes or through PIK Notes being referred to herein as "**PIK Interest**") or (iii) a combination of Cash Interest and PIK Interest, and

(b) for any interest period that begins after the second anniversary of the Issue Date, entirely as Cash Interest.

The Issuer may elect the form of interest payment with respect to each interest period by delivering a notice to the Trustee and the Paying Agent at least five Business Days prior to the relevant interest payment date. The Issuer will also deliver (including by way of posting such notice to its website) a corresponding notice to the Holders of the Notes on or prior to such interest payment date. In the absence of such an election for any interest period, interest on the Notes for such interest period will be payable as Cash Interest.

In the event that the Issuer elects to pay all or part of the interest on the Notes as PIK Interest, such PIK Interest shall be paid as follows:

(1) with respect to Notes represented by one or more Global Notes, (a) by increasing the aggregate principal amount of the outstanding Global Notes in accordance with the procedures of the relevant clearing system, effective as of the applicable interest payment date, by an amount equal to the amount of PIK Interest for the applicable interest period (rounded down to the nearest $1.00), or (b) if required, by issuing a new Global Note, dated as of the applicable interest payment date, in an aggregate principal amount equal to the amount of PIK Interest for the applicable interest period (rounded down to the nearest $1.00), executed by the Issuer, authenticated by the Trustee pursuant to an authentication order issued by the Issuer under the Indenture and delivered by the Trustee for issuance to the Holders on the relevant record date in accordance with the procedures of the Relevant Clearing System; and

(2) with respect to Notes represented by Definitive Registered Notes, by issuing PIK Notes in the form of Definitive Registered Notes, dated as of the applicable interest payment date, in an aggregate principal amount equal to the amount of PIK Interest for the applicable interest period (rounded down to the nearest $1.00), executed by the Issuer, authenticated by the Trustee pursuant to an authentication order issued by the Issuer under the Indenture and delivered by the Trustee in the form of Definitive Registered Notes for original issuance to the Holders on the relevant record date, as shown by the records of the register of Holders.

Following an increase in the principal amount of the outstanding Global Notes as a result of a payment of PIK Interest, the Global Notes will bear interest on such increased principal amount from and after the applicable interest payment date. Any PIK Notes issued in the form of Definitive Registered Notes will be dated as of the first date of the following interest period and will bear interest from and after such date. PIK Notes issued pursuant to a payment of PIK Interest will have identical terms to the originally issued Notes except interest on such PIK Notes will begin to accrue from the date they are issued rather than the Issue Date.

If the Issuer pays a portion of the interest on the Notes as Cash Interest and as PIK Interest, such Cash Interest and PIK Interest shall be paid to holders of the Notes *pro rata* in accordance with their interests (or, in the case of Global Notes, in accordance with the procedures of the relevant clearing system), unless otherwise required by law or applicable stock exchange, clearing system or depositary requirements.

Interest on overdue principal, premium or Additional Amounts will accrue at a rate that is 1% higher than the rate of Cash Interest otherwise applicable to the Notes. In no event will the rate of interest on the Notes be higher than the maximum rate permitted by law.

The rights of holders of beneficial interests in the Notes to receive the payments of interest on such Notes are subject to applicable procedures of the Relevant Clearing System. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

We cannot assure you that the Issuer's Subsidiaries will have the ability to dividend or otherwise distribute funds to the Issuer in order to allow the Issuer to make cash interest payments on the Notes. The ability of the Issuer's Subsidiaries to make dividends or distributions to the Issuer is subject to important exceptions. See "*—The Notes*", "*Description of Other Indebtedness and Financing Arrangements*" and "*Risk factors—Risks related to the Notes, Notes Guarantee and Collateral—The Issuer will have the discretion to pay interest on the Notes in PIK Interest rather than cash*."

If the Notes would otherwise constitute an "applicable high yield discount obligation" within the meaning of Section 163(i) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or any successor provisions, on any interest payment date on or after the fifth anniversary of the Issue Date, the Issuer shall pay in cash a minimum amount of interest that has been previously accrued and unpaid (including any PIK Interest previously paid on the Note), by redeeming, *pro rata* (or, in the case of Global Notes, in accordance with the procedures of the relevant clearing system), a portion of the Notes outstanding at such time, as shall be necessary to ensure that the Notes shall not be considered an applicable high yield discount obligation. No partial repayment of the Notes prior to any such interest payment date pursuant to any other provision of the Indenture will alter the Issuer's obligation to make the payment pursuant to the preceding sentence.

***Methods of Receiving Payments on the Notes***

Principal, Cash Interest and premium and Additional Amounts, if any, on the Global Notes (as defined below) will be made by one or more Paying Agents by wire transfer of immediately available funds to the account specified by the registered Holder thereof (being the common depositary or its nominee for the Relevant Clearing System).

Principal, Cash Interest and premium, and Additional Amounts, if any, on any certificated securities ("**Definitive Registered Notes**") will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes. In addition, Cash Interest on the Definitive Registered Notes may be paid, at the option of the Issuer, by check mailed to the address of the Holder entitled thereto as shown on the register of Holders of Notes for the Definitive Registered Notes. See "*—Paying Agent, Transfer Agent and Registrar for the Notes*" below.

***Paying Agent, Transfer Agent and Registrar for the Notes***

The Issuer will maintain one or more Paying Agents for the Notes. The initial Paying Agent will be Ankura Trust Company, LLC (the "**Paying Agent**").

The Issuer will also maintain a registrar (the "**Registrar**") and a transfer agent (the "**Transfer Agent**"). The initial Registrar will be Ankura Trust Company, LLC and the initial Transfer Agent will be Ankura Trust Company, LLC. The Registrar will maintain a register reflecting ownership of the Notes outstanding from time to time, if any, and together with the Transfer Agent, will facilitate transfers of the Notes on behalf of the Issuer.

The Issuer may change any Paying Agent, Registrar or Transfer Agent for the Notes without prior notice to the Holders of the Notes. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

**Additional Notes**

From time to time, subject to the Issuer's compliance with the covenants described under "*—Certain Covenants—Limitation on Indebtedness*" and "*—Certain Covenants—Limitation on Liens*," the Issuer is permitted to issue additional Notes under the Indenture ("**Additional Notes**") of the same or different series, which shall have terms substantially identical to the Notes except in respect of any of the following terms which shall be set forth in an Officer's Certificate or, at the election of the Issuer, a supplemental indenture, supplied to the Trustee (except in the case of an issuance of Additional Notes that are PIK Notes, which shall not require an Officer's Certificate or supplemental indenture):

(1) whether such Additional Notes shall be issued as part of a new or existing series of Notes or the title of such Additional Notes (which shall distinguish the Additional Notes of the series from Notes of any other series);

(2) the aggregate principal amount of such Additional Notes;

(3) the issue price and the date or dates on which such Additional Notes will be issued;

(4) the rate or rates (which may be fixed or floating) at which such Additional Notes shall bear interest and, if applicable, the interest rate basis, formula or other method of determining such interest rate or rates, the date or dates from which such interest shall accrue, the interest payment dates on which such interest shall be payable or the method by which such dates will be determined, the record dates for the determination of holders thereof to whom such interest is payable and the basis upon which such interest will be calculated;

(5) the currency or currencies in which such Additional Notes shall be denominated and the currency in which cash or government obligations in connection with such series of Additional Notes may be payable;

(6) the date or dates and price or prices at which, the period or periods within which, and the terms and conditions upon which, such Additional Notes may be redeemed, in whole or in part;

(7) if other than in denominations of $200,000 and in integral multiples of $1.00 in excess thereof, the denominations in which such Additional Notes shall be issued and redeemed;

(8) the CUSIP, ISIN, Common Code or other securities identification numbers with respect to such Additional Notes; and

(9) any relevant limitation language with respect to Note Guarantees and Security Documents.

All series of Additional Notes will be treated, along with all other Notes, as a single class for the purposes of the Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for any applicable series; *provided* that if the Additional Notes are not fungible with Notes originally issued for U.S. federal income tax purposes, such Additional Notes will be issued with a separate ISIN, Common Code, CUSIP or other securities identification number, as applicable, from the Notes originally issued. Additional Notes may be designated to be of the same series as the Notes initially issued on the Issue Date and shall be deemed to form one series therewith.

**Transfer and Exchange**

The Notes will be issued in the form of several registered notes in global form without interest coupons, as follows:

- Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "**144A Global Notes**"). The 144A Global Notes will, on the Issue Date, be deposited with a custodian for DTC and registered in the name of Cede & Co., as nominee of DTC; and
- Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "**Regulation S Global Notes**" and, together with the 144A Global Notes, the **"Global Notes"**). The Regulation S Global Notes will, on the Issue Date, be credited within DTC for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes ("**Book-Entry Interests**") will be limited to persons that have accounts with the Relevant Clearing System or persons that may hold interests through such participants.

Ownership of Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Notice to Investors*". In addition, transfers of Book-Entry Interests between participants in the Relevant Clearing System will be effected by the Relevant Clearing System pursuant to customary procedures and subject to the applicable rules and procedures established by the Relevant Clearing System and its or their respective participants.

Book-Entry Interests in the 144A Global Notes (the "**144A Book-Entry Interests**") may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes (the "**Regulation S Book-Entry Interests**") denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Subject to the foregoing, Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Notice to Investors*" and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of $200,000 principal amount and integral multiples of $1.00 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by the Relevant Clearing System, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Notice to Investors*".

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of $200,000 in principal amount and integral multiples of $1.00 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at the Relevant Clearing System, where appropriate, to furnish certain certificates and opinions, and to pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer.

Notwithstanding the foregoing, the Registrar and the Transfer Agent are not required to register the transfer or exchange of any Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the applicable Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of the applicable Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date; or

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer, an Asset Disposition Offer or any other tender offer in respect of the Notes.

The Issuer, the Trustee, the Paying Agent, the Transfer Agent and the Registrar will be entitled to treat the registered Holder of a Note as the owner thereof for all purposes.

## Security

### *General*

On the Issue Date, the Notes and the Note Guarantees will be secured:

- on a first-ranking basis, by security over (i) the shares of the Issuer held by Holdco, (ii) material assets of the Issuer (including its material bank accounts) other than certain excluded assets, pursuant to a floating charge and (iii) structural intercompany receivables owed to Holdco by the Issuer (if any) (the "**First-Ranking Collateral**"); and

- on a second-ranking basis, by security over (i) the shares of the Original Guarantor held by the Issuer and (ii) structural intercompany receivables owed to the Issuer by the Original Guarantor (if any) (the "**Shared Collateral**").

As described above, the Collateral may also secure any Additional Notes and certain future Indebtedness. In addition, the Shared Collateral will also secure obligations under the Senior Secured Credit Facilities Agreement and certain hedging obligations, and may secure certain future Indebtedness on a first-ranking basis. The proceeds from the enforcement of the Collateral may not be sufficient to satisfy the obligations owed to the Holders of the Notes. No appraisals of the Collateral have been made in connection with this issuance of Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all. See "*Risk Factors—Risks Related to the Notes, the Note Guarantees and the Collateral—The Notes will be secured only to the extent of the value of the Collateral that has been granted as security for the Notes and future secured debt may be secured by certain assets that do not secure the Notes. The value of the Collateral securing the Notes may not be sufficient to satisfy our obligations under the Notes and such Collateral may be reduced or diluted under certain circumstances*."

Notwithstanding the provisions of the covenant described below under "*—Certain Covenants—Limitation on Liens,"* certain property, rights and assets may not be pledged, and any pledge over property, rights and assets may be limited (or the Liens not perfected), in accordance with the Agreed Security Principles.

The following is a non-exhaustive summary of certain terms of the Agreed Security Principles, which include, among others:

- general legal and statutory limitations, regulatory restrictions, financial assistance, anti-trust and other competition authority restrictions, corporate benefit, fraudulent preference, equitable subordination, "transfer pricing," "thin capitalization" (and in particular, guarantees and security shall not result in all or part of the Notes being considered related debt for thin capitalization purposes), "earnings stripping," "controlled foreign corporation" and other tax restrictions, "exchange control restrictions," "capital maintenance" rules and "liquidity impairment" rules, tax restrictions, retention of title claims, employee consultation or approval requirements and similar principles may limit the ability of a member of the Group to provide a guarantee or security or may require that the guarantee or security be limited as to amount or otherwise and, if so, the guarantee or security will be limited accordingly; provided that, to the extent the Issuer determines that the asset is material and it is commercially reasonably practicable before signing any applicable security or accession document, the relevant member of the Group shall use reasonable endeavors (exercised for a specified period of time but without incurring material cost and without adverse impact on relationships with third parties) to overcome any such obstacle or otherwise such guarantee or security document shall be subject to such limit;
- the determination that the time and cost (including adverse effects on taxes, interest deductibility, stamp duty, registration taxes, notarial costs, guarantee fees payable to any person that is not a member of the Group and all applicable legal fees) will not be disproportionate to the benefit accruing to the relevant secured parties of obtaining such guarantee or security;
- the exclusion from any guarantee or security of any asset subject to a legal requirement, contract, lease, license, instrument, regulatory constraint (including any agreement with any government or regulatory body) or other third party arrangement, which may prevent or condition the asset from being charged, secured or being subject to the applicable security document (including requiring a consent of any third party, supervisory board or works council (or equivalent)) and any asset which, if subject to the applicable security document, would give a third party the right to terminate or otherwise amend any rights, benefits and/or obligations with respect to any member of the Group in respect of the asset or require the relevant charger to take any action materially adverse to the interests of the Group or any member thereof; provided

that reasonable endeavors (exercised for a specified period of time but without incurring material cost and without adverse impact on relationships with third parties) to obtain consent to charging any asset (where otherwise prohibited) shall be used by the Group if the Issuer determines specifies prior to the date of the security or accession document that the asset is material and the Issuer is satisfied that such endeavors will not involve placing relationships with third parties in jeopardy;

- the agreement that members of the Group will not be required to give guarantees or enter into security documents if they are not wholly owned by another member of the Group or if it is not within the legal capacity of the relevant members of the Group or if it would conflict with the fiduciary or statutory duties of their directors or contravene any applicable legal, regulatory or contractual prohibition or restriction or have the potential to result in a material risk of personal or criminal liability for any director or officer of or for any member of the Group; provided that, to the extent the Issuer determines that the asset is material and it is commercially reasonably practicable before signing any applicable security document or accession document, the relevant member of the Group, in relation to a contractual prohibition or restriction only, shall use reasonable endeavors (exercised for a specified period of time but without incurring material cost and without adverse impact on relationships with third parties) to overcome any such obstacle or otherwise such guarantee or security document shall be subject to such limit;
- the requirement that, to the extent legally effective, all security shall be given in favor of the Security Agent and not the Holders individually (with the Security Agent to hold one set of security documents for all the Holders); provided that it shall be permissible to use "parallel debt" provisions where necessary (which shall be included in the Intercreditor Agreement and not the individual security documents); and furthermore, the agreement that no member of the Group shall be required to take any action in relation to any guarantees or security as a result of any assignment or transfer of the Notes by a Holder;
- the limitation of guarantees and security so that the aggregate of notarial costs and all registration and like taxes and duties relating to the provision of security will not exceed a commercially reasonable amount as determined by the Issuer, and the agreement that where a class of assets to be secured includes material and immaterial assets, if the cost of granting security over the immaterial assets is disproportionate to the benefit of such security, security will be granted over the material assets only;
- the agreement that security will not be required over any assets subject to security in favor of a third party or any cash constituting regulatory capital or customer cash (and such assets or cash shall be excluded from any relevant security document);
- the agreement it may be either impossible or impractical to create security over certain categories of assets in which event security will not be taken over such assets;
- the agreement that no security may be provided on terms which are inconsistent with the turnover or sharing provisions in the Intercreditor Agreement;
- the agreement that the giving of a guarantee, the granting of security and the registration and/or the perfection of the security granted will not be required if it would have a material adverse effect on the ability of the relevant member of the Group to conduct its operations and business in the ordinary course as otherwise permitted by the Notes Documents (including dealing with the secured assets and all contractual counterparties or amending, waiving or terminating (or allowing to lapse) any rights, benefits or obligations, in each case prior to an Event of Default which is continuing), and the agreement that any requirement under the Agreed Security Principles to seek consent of any person or take or not take any other action shall be subject to the Agreed Security Principles;
- the agreement that other than a general security agreement and related filing, no perfection, filing or other action will be required with respect to assets of a type not owned by members of the Group;
- the agreement that no guarantees or security by any members of the Group which are organized, established or incorporated in Dubai, Malaysia or South Africa;
- the agreement (i) that security in respect of the Notes and the Notes Guarantees only be granted over the Collateral or as otherwise expressly provided in the Indenture, (ii) that security will not be required from or over the assets of, any joint venture or similar arrangement, any minority interest or any member of the Group that is not wholly owned by another member of the Group, and (iii) no security will be required to be granted over certain categories of assets, including, among other things, real estate, intellectual property, letter of credit rights and insurance policies; and
- the agreement that no member of the Group will be required to give guarantees or grant any security to the extent that doing so would (i) be prohibited by or require consent from any central bank, supervisory authority, government, statutory body or other regional, national or international regulatory body (each a

"**Regulator**"), (ii) require any member of the Group or any of its Affiliates to directly or indirectly hold additional regulatory, segregated and/or restricted capital (howsoever described); (iii) require any member of the Group or any of its Affiliates to directly or indirectly deposit or deliver (or procure the deposit or delivery of) any additional collateral with, or grant any additional credit support to, for the benefit of, or as directed by, any Regulator; or (iv) require any member of the Group or any of its Affiliates to directly or indirectly increase the nominal or actual amount of any insurance coverage provided it to in connection with the requirements of any Regulator; and

- the agreement that no member of the Group will be required to grant security over any cash, cash equivalent investments or other assets constituting regulatory, segregated and/or restricted capital (howsoever described).

For further information regarding limitations arising under or imposed by local law and defenses generally available to providers of Collateral (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law, see "*Certain Insolvency Law Considerations*".

***Priority***

The relative priority with regard to the security interests in the Collateral that are created by the Security Documents (the "**Security Interests**" and each, a "**Security Interest**") as between (a) the lenders under the Senior Secured Credit Facilities Agreement and the lenders of certain future indebtedness that is *pari passu* with the obligations under the Senior Secured Credit Facilities Agreement, (b) the counterparties under certain hedging obligations, (c) the Holders of the Notes, (d) the Trustee and the Security Agent and (d) the creditors of certain other Indebtedness permitted to be secured by the Collateral, respectively, is established by the terms of the Intercreditor Agreement and the Security Documents, which will provide, among other things, that the obligations under the Notes and the Indenture will receive proceeds on enforcement of security over the Shared Collateral only after the claims of the Senior Secured Credit Facilities Agreement, certain hedging obligations and creditors under any future indebtedness that may be secured on a first-ranking basis in accordance with the terms of the Indenture and the Intercreditor Agreement are satisfied. In addition, pursuant to the Intercreditor Agreement or Additional Intercreditor Agreements entered into after the Issue Date, the Collateral may be pledged to secure other Indebtedness and obligations as described herein. Under certain circumstances, the creditors under such Indebtedness will receive proceeds from an enforcement of the Collateral in priority to the Trustee, the Agents and the holders of the Notes under the Indenture. See "*Description of Other Indebtedness and Financing Arrangements—Intercreditor Agreement*", "*—Release of Liens,*" "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Definitions—Permitted Collateral Liens*."

***Security Documents***

Under the Security Documents, Holdco and the Issuer have granted, or will grant, security over the Collateral to secure the payment when due of the Issuer's and the Guarantors' payment obligations under the Notes, the Note Guarantees and the Indenture. The Security Documents have been, or will be, entered into by the relevant security provider and the Security Agent as agent for the secured parties. When entering into the Security Documents, the Security Agent has acted in its own name, but for the benefit of the secured parties (including itself, the Trustee and the holders of Notes from time to time).

The Indenture and the Intercreditor Agreement provide that, to the extent permitted by the applicable laws, only the Security Agent will have the right to enforce the Security Documents on behalf of the Trustee and the holders of the Notes. As a consequence of such contractual provisions, holders of the Notes will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee under the Indenture, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent in respect of the enforcement of the Collateral. See "*Description of Other Indebtedness and Financing Arrangements—Intercreditor Agreement*".

The Indenture will provide that, subject to the terms thereof and of the Security Documents and the Intercreditor Agreement, the Notes and the Note Guarantees, as applicable, will be secured by Security Interests in the Collateral until all obligations under the Notes, the Note Guarantees and the Indenture have been discharged. However, the Security Interests with respect to the Notes and the Indenture may be released under certain circumstances as provided under "*—Release of Liens*".

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents or the rights and obligations enumerated in the

Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement were successful, the Holders may not be able to recover any amounts under the Security Documents.

Subject to the terms of the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement, Holdco, the Issuer and the Guarantors will have the right to remain in possession and retain exclusive control of the Collateral securing the Notes, to freely operate the property and assets constituting Collateral and to collect, invest and dispose of any income therefrom (including any and all dividends, distributions or similar cash and non-cash payments in respect of Capital Stock of the Guarantors that is part of the Collateral).

***Enforcement of Security Interest***

The Indenture and the Intercreditor Agreement restrict the ability of the Security Agent (acting on its behalf of on behalf of the Holders) to enforce the Security Interests and provide for the release of the Security Interests created by the Security Documents. The rights of the Security Agent to take enforcement action under the Security Documents are subject to certain standstill provisions and other limitations on enforcement pursuant to the terms of the Intercreditor Agreement. The ability to enforce may also be restricted by similar arrangements in relation to future Indebtedness that is secured on the Collateral in compliance with the Indenture and the Intercreditor Agreement. The lenders under the Secured Credit Facilities and the counterparties to hedging obligations secured by the Collateral will appoint a separate security agent to act as their respective agent under the Intercreditor Agreement and the security documents securing such obligations (including in respect of the Shared Collateral). See "*Description of Other Indebtedness and Financing Arrangements—Intercreditor Agreement*".

The Trustee has authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the security documents securing such Indebtedness, together with any other incidental rights, power and discretions; and (ii) execute each Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the relevant Security Agent on its behalf.

***Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound***

The Indenture will provide that it will be subject to the provisions of the Intercreditor Agreement and that the Issuer and the Trustee will be authorized (without any further consent of the Holders of the Notes) to enter into the Intercreditor Agreement and to give effect to its provisions.

The Indenture will provide that each Holder of the Notes, by accepting such Note, will be deemed to have:

- irrevocably appointed the Trustee and the Security Agent to enter into and act as its agent under the Intercreditor Agreement and the other relevant documents to which it is a party (including, without limitation, in respect of the Security Agent, the Security Documents);
- irrevocably authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement or other documents to which it is a party (including, without limitation, the Security Documents), together with any other incidental rights, power and discretions; and (ii) execute each document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf; and
- accepted the terms and conditions of, and agreed to be bound by, the Intercreditor Agreement and any Additional Intercreditor Agreement and any Security Document and each Holder will also be deemed to have authorized the Trustee to enter into and act as its agent under any such Additional Intercreditor Agreement.

The Intercreditor Agreement overrides any provisions in the Indenture and to the extent that any step or action is permitted under the Intercreditor Agreement, it will be deemed permitted under the Indenture.

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into in compliance with the provisions described under "*—Certain Covenants—Additional Intercreditor Agreements*".

***Release of Liens***

Holdco, the Issuer and its Subsidiaries will be entitled to release the Security Interests in respect of the Collateral under any one or more of the following circumstances:

(1) in connection with any sale or other disposition of Collateral to a Person that is not the Issuer or a Restricted Subsidiary (but excluding any transaction subject to "*—Merger and Consolidation"),* if such sale or other disposition does not violate the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock"* or is otherwise permitted in accordance with the Indenture;

(2) in the case of a Guarantor that is released from its Note Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(3) as described under "*—Amendments and Waivers*";

(4) upon payment in full of principal, interest and all other obligations on the Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Notes, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";

(5) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary;

(6) in connection with the implementation of a Permitted Reorganization;

(7) in connection with the granting of Liens on such property or assets, which may include Collateral, or the sale or transfer of such property or assets, which may include Collateral, in each case pursuant to a Qualified Receivables Financing;

(8) in connection with any disposal of Collateral to the Issuer or a Restricted Subsidiary; *provided* that such release is followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets in a manner consistent with, and pursuant to applicable formalities under, the covenant described under "*—Certain Covenants—Impairment of Security Interest*";

(9) with respect to the Security Interests in respect of the Capital Stock of the Issuer to be offered, within a reasonable time to facilitate an Initial Public Offering in which the Issuer is the IPO Entity; *provided* that such Security Interests so released shall be promptly granted or re-granted, as applicable, in favor of the Notes in the event that such Capital Stock is not sold or the Initial Public Offering does not complete for any reason; or

(10) as otherwise permitted in accordance with the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement.

In addition, the Security Interests created by the Security Documents will be released (a) in accordance with an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement and (b) as may be permitted by the covenant described under "*—Certain Covenants—Impairment of Security Interest*".

The Security Agent (and if necessary the Trustee) shall execute any documents or will take all necessary action reasonably requested in writing by the Issuer to effectuate any release of Collateral securing the Notes and the Note Guarantees, in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document subject to customary protections and indemnifications. Each of the releases set forth above shall occur automatically without the consent of the Holders, and without any action on the part of the Security Agent or the Trustee (unless action is required by it to give effect to such release).

### Optional Redemption

Except as described below and except as described under "*—Redemption for Taxation Reasons*", the Notes are not redeemable until , 2022.

On and after , 2022, the Issuer may otherwise redeem all or, from time to time, part of the Notes upon not less than 10 nor more than 60 days' written notice (except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture), at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest (paid at the rate of Cash Interest) and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on of the years indicated below:

| Year | Redemption Price |
|---|---|
| 2022 | % |
| 2023 | % |
| 2024 and thereafter | 100.000% |

Prior to , 2022, the Issuer may on any one or more occasions redeem in the aggregate up to 40% of the original aggregate principal amount of the Notes (including any PIK Interest and the aggregate principal amount of any Additional Notes of the same series), upon not less than 10 or more than 60 days' notice, with funds in an aggregate amount not exceeding the Net Cash Proceeds of one or more Equity Offerings at a redemption price (expressed as a percentage of principal amount) of % as of the date of the applicable redemption notice, *plus* accrued and unpaid interest (paid at the rate of Cash Interest) and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* that:

(1) at least 60% of the original aggregate principal amount of the Notes (including any PIK Interest and the aggregate principal amount of any Additional Notes of the same series) issued under the Indenture remain outstanding after each such redemption; and

(2) the redemption occurs within 180 days after the closing of such Equity Offering.

In addition, prior to , 2022, the Issuer may redeem all or, from time to time, a part of the Notes upon not less than 10 nor more than 60 days' notice (except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture), at a redemption price equal to 100% of the principal amount of the Notes, *plus* the Applicable Premium and accrued and unpaid interest (paid at the rate of Cash Interest) and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

***Optional Redemption upon any Tender Offer***

In connection with any tender offer, Change of Control Offer or Asset Sale Offer for, or other offer to purchase, any series of or all of the Notes, if holders of not less than 90% of the aggregate principal amount of the then outstanding Notes or series of Notes validly tender and do not validly withdraw such Notes or series of Notes in such tender offer and the Issuer, or any third party making such tender offer in lieu of the Issuer, purchases all of the Notes or series of Notes validly tendered and not validly withdrawn by such holders, all of the holders of the Notes will be deemed to have consented to such tender or other offer and accordingly, the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' notice following such purchase date, to redeem all Notes or series of Notes that remain outstanding following such purchase at a price equal to the price paid to each other holder in such tender offer (which may be less than par and excluding any early tender or incentive fee), plus, to the extent not included in the tender offer payment, accrued and unpaid interest (paid at the rate of Cash Interest), if any, thereon, to, but excluding, the date of such redemption.

***General***

We may repurchase the Notes at any time and from time to time in the open market or otherwise. Notice of redemption will be provided as set forth under "—*Selection and Notice*."

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest (paid at the rate of Cash Interest) will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

In connection with any redemption of Notes (including with the proceeds from an Equity Offering), any such redemption may, at the Issuer's discretion, be subject to one or more conditions precedent.

If the Issuer elects to redeem the Notes or portions thereof and, in connection with a satisfaction and discharge or defeasance of the Indenture in accordance with the provisions set forth under "—*Defeasance*" or "—*Satisfaction and Discharge*," requests that the Trustee distribute to the Holders amounts deposited in trust with the Trustee (which, for the avoidance of doubt, will include accrued and unpaid interest (paid at the rate of Cash Interest) to the date fixed for redemption) prior to the date fixed for redemption, the Issuer may in its sole discretion instruct the Trustee in writing (which may be included in the applicable redemption notice) to deliver to Holders such amounts deposited with the Trustee either (i) on or promptly after the date fixed for redemption or (ii) any such earlier payment date as selected by the Issuer.

**Mandatory Payment**

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

### Selection and Notice

If less than all of any series of Notes are to be redeemed at any time, the Trustee will select Notes for redemption on a *pro rata* basis (or, in the case of Global Notes, in accordance with DTC's procedures), unless otherwise required by law or applicable stock exchange or depository requirements. The Trustee will not be liable for any selections made by it in accordance with this paragraph.

Notices of redemption will be delivered electronically or mailed by first-class mail, postage prepaid, not less than 10 nor more than 60 days prior to the redemption date (except as permitted below), to Holders of the Notes at their respective addresses as they appear on the registration books of the Registrar with a copy to the Trustee and the Paying Agent. In the case of Global Notes, such notice of redemption may be instead sent in accordance with the rules and procedures of the Relevant Clearing System (as applicable). On and after the redemption date, unless the Issuer defaults in the payment of the redemption price, interest ceases to accrue on the Notes or the part of the Notes called for redemption.

If and for so long as the Notes are listed on the Official List of The International Stock Exchange and to the extent the rules of the Authority so require, the Issuer will notify the Authority of any such notice to the Holders and, in connection with any redemption, the Issuer will notify the Authority of any change in the principal amount of Notes outstanding.

If any series of Notes is to be redeemed in part only, the notice of redemption that relates to that series of Notes shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Global Note (or otherwise in accordance with the procedures of the Relevant Clearing System, as applicable) to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Notes called for redemption become due on the date fixed for redemption. If such redemption is subject to the satisfaction of one or more conditions precedent, the related notice may, for the avoidance of doubt, state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied or waived (*provided* that in no event shall such date of redemption be delayed to a date later than 60 days after the date on which such notice was sent, except that redemption notices may be mailed or sent in accordance with the rules and procedures of the Relevant Clearing System (as applicable) more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied or waived by the redemption date, or by the redemption date so delayed.

### Redemption for Taxation Reasons

The Issuer may redeem any series of Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior written notice (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (paid at the rate of Cash Interest), if any, to the date fixed for redemption (a "**Tax Redemption Date**") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (as defined below under "*—Withholding Taxes*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer determines in good faith that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any change in, or amendment to, the existing official position or the introduction of an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including by reason of a holding, judgment or order by a court of competent jurisdiction or a change in published practice)

(each of the foregoing in clauses (1) and (2), a "**Change in Tax Law**"), a Payor (as defined below) is, or on the next interest payment date in respect of the Notes would be, required to pay Additional Amounts with respect to the Notes (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor who can make such payment without the obligation to pay Additional Amounts), and such obligation cannot be avoided by taking reasonable measures available to the Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). Such Change in Tax Law must be publicly announced and become effective on or after the Issue Date (or if the applicable Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the Issue Date, such later date). The foregoing provisions shall apply *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Indenture, with respect to a change or amendment occurring after the time such successor Person becomes a party to the Indenture.

Notice of redemption for taxation reasons will be given in accordance with the procedures described under "—*Selection and Notice*". Notwithstanding the foregoing, no such notice of redemption will be given earlier than 90 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts if a payment in respect of the Notes were then due. Prior to the giving of any notice of redemption of any series of Notes pursuant to the foregoing, the Issuer will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and that the Payor cannot avoid its obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing to the effect that the Payor has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

**Withholding Taxes/Additional Amounts**

All payments made by or on behalf of the Issuer or any Guarantor (including any successor entity) (each, a "**Payor**") in respect of the Notes or with respect to any Note Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) any jurisdiction from or through which payment on any such Note is made by or on behalf of the Payor or any political subdivision or governmental authority thereof or therein having the power to tax; or

(2) any other jurisdiction in which a Payor is incorporated or organized, engaged in business for tax purposes, or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax

(each of clause (1) and (2), a "**Relevant Taxing Jurisdiction**"), will at any time be required by law to be made from any payments made by or on behalf of the Payor with respect to any Note or any Note Guarantee, as applicable, including payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts as may be necessary in order that the net amounts received in respect of such payments, after such withholding or deduction (including any such deduction or withholding from such additional amounts), will equal the amounts which would have been received in respect of such payments on any such Note or Note Guarantee, as applicable, in the absence of such withholding or deduction (the "**Additional Amounts**"); *provided* that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or beneficial owner (or between a fiduciary, settlor, beneficiary, member, partner or shareholder of, or possessor of power over the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, without limitation, being resident for tax purposes, or being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or the receipt of any payment or the exercise or enforcement of rights under such Note or Note Guarantee;

(2) any Tax that is imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a reasonable written request by the Payor addressed to the Holder, after reasonable notice (at least 30 days before any such withholding or deduction would be made), to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the

Relevant Taxing Jurisdiction as a precondition to exemption from, or reduction in the rate of deduction of, all or part of such Tax but only to the extent the Holder or beneficial owner is legally entitled to provide such certification or documentation;

(3) any Taxes, to the extent that such Taxes were imposed or withheld as a result of the presentation of the Note for payment (where Notes are in the form of Definitive Registered Notes and presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30-day period);

(4) any Taxes that are payable otherwise than by deduction or withholding from a payment under or with respect to the Notes or any Note Guarantee;

(5) any estate, inheritance, gift, sales, excise, transfer, personal property or similar tax, assessment or other governmental charge;

(6) any Taxes imposed or withheld pursuant to Sections 1471 through 1474 of the Code, as of the Issue Date (or any amended or successor version of such sections that are substantively comparable), any regulations promulgated thereunder, any official interpretations thereof, any intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing and any law, regulation, or official interpretation thereof implementing such intergovernmental agreement, or any agreements entered into pursuant to Section 1471(b)(1) of the Code; or

(7) any combination of the items (1) through (6) above.

In addition, no Additional Amounts shall be paid with respect to a Holder who is a fiduciary or a partnership or any person other than the beneficial owner of the Notes, to the extent that the beneficiary or settler with respect to such fiduciary, the member of such partnership or the beneficial owner would not have been entitled to Additional Amounts had such beneficiary, settler, member or beneficial owner directly held such Notes.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will provide certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld to each Relevant Taxing Jurisdiction imposing such Taxes, or if such tax receipts are not available, certified copies of other reasonable evidence of such payments as soon as reasonably practicable to the Trustee. Such copies shall be made available to the Holders upon reasonable request and will be made available at the offices of the relevant Paying Agent.

If any Payor is obligated to pay Additional Amounts under or with respect to any payment made on any Note or any Note Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable thereafter). The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Indenture, the Notes or this "*Description of the Notes*" there is mentioned, in any context:

(1) the payment of principal;

(2) purchase prices in connection with a purchase of Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Notes or any Note Guarantee,

such reference shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay the Holder for any present or future stamp, issue, registration, court or documentary Taxes, or similar charges or levies (including any related interest or penalties with respect thereto) or any other excise, property or similar Taxes or similar charges or levies (including any related interest or penalties with respect thereto) that arise in a Relevant Taxing Jurisdiction from the execution, delivery, registration, or enforcement of the Notes, any Note Guarantee, the Indenture, the Security Documents or any other document or instrument in relation thereto (other than in each case, in connection with a transfer of the Notes after this issuance of Notes).

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture and any transfer by a Holder or beneficial owner, and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is organized, engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment with respect to the Notes (or any Note Guarantee) is made by or on behalf of such Payor, or any political subdivision or governmental authority thereof or therein having the power to tax.

**Change of Control**

The Indenture will provided that if a Change of Control occurs, subject to the terms of the covenant described under this heading "*—Change of Control*," each Holder will have the right to require the Issuer to repurchase all or any part (equal to $200,000 or integral multiples of $1.00 in excess thereof, if applicable; *provided* that Notes of $200,000 or less may only be redeemed in whole and not in part) of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes repurchased, plus accrued and unpaid interest (paid at the rate of Cash Interest) and Additional Amounts, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that the Issuer shall not be obligated to repurchase any series of Notes as described under this heading, "*Change of Control*," in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes of such series and given notice of redemption as described under "*—Optional Redemption*".

Unless the Issuer has exercised its right to redeem all the Notes and given notice of redemption as described under "*—Optional Redemption*" and all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will deliver (or cause to be delivered) a notice (the "**Change of Control Offer**") electronically or by first-class mail, with a copy to the Trustee, to each Holder of the Notes to the address appearing in the security register or otherwise in accordance with the procedures of the Relevant Clearing System, as applicable:

(1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes *plus* accrued and unpaid interest (paid at the rate of Cash Interest) and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the "**Change of Control Payment**");

(2) stating the repurchase date (which shall be no earlier than 10 days nor later than 60 days from the date such notice is mailed) (the "**Change of Control Payment Date**");

(3) stating that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Notes or part thereof not tendered will continue to accrue interest;

(4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;

(5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased; and

(6) if such notice is delivered prior to the occurrence of a Change of Control, stating that the Change of Control Offer and/or the Change of Control Payment is conditional on the occurrence of such Change of Control and, if applicable, that in the Issuer's sole discretion, the Change of Control Payment Date may be delayed until such time (including more than 60 days after the notice is sent) as any or all such conditions shall be satisfied or waived.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portions thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions of the Notes being purchased by the Issuer in the Change of Control Offer.

A Holder willing to tender Notes into the Change of Control Offer shall notify its account manager of its election (or otherwise in accordance with the procedures of the Relevant Clearing System (as applicable)), who shall in turn notify the Paying Agent and the Trustee of such Holder's election. Once such tender has been accepted by the Issuer and notified to the Paying Agent, the Paying Agent shall promptly credit the bank account of such Holder the Change of Control Payment for such Notes so tendered and deduct the corresponding amount of such Notes from such Holder's account with the Relevant Clearing System.

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. Holders' right to require the Issuer to repurchase Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place providing for the Change of Control at the time the Change of Control Offer is made.

The Issuer will comply, to the extent applicable, with the requirements of Rule 14e-1 of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such compliance.

The Issuer's ability to repurchase Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The Senior Secured Credit Facilities Agreement will provide, and future credit agreements or other agreements to which the Issuer or any Subsidiary becomes party may provide that certain change of control events with respect to the Issuer, or the Original Guarantor, could require a prepayment, repayment or cancellation of such facility. If we experience a change of control that requires a prepayment, repayment or cancellation under the Senior Secured Credit Facilities Agreement or future Indebtedness, we could seek a waiver or seek to refinance the Secured Credit Facilities or such other Indebtedness. In the event we do not obtain such waiver or do not refinance the Secured Credit Facilities or such other Indebtedness, such failure could cause a default thereunder and could result in amounts outstanding thereunder to be declared due and payable. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See "*Risk Factors—Risks Related to the Notes, the Note Guarantees and the Collateral—The Issuer may not be able to repurchase the Notes upon a change of control. In addition, under certain circumstances, the Issuer may have the right to purchase all outstanding Notes in connection with a tender offer, even if certain holders do not consent to the tender*".

The definition of "Change of Control" includes a disposition, in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Issuer and its Restricted Subsidiaries taken as a whole. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding principal amount of the Notes.

## Certain Covenants

### *Limitation on Indebtedness*

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however,* that the Issuer and any Restricted Subsidiary may Incur

Indebtedness (including Acquired Indebtedness) if after giving *pro forma* effect to the Incurrence of such Indebtedness (including *pro forma* application of the proceeds thereof), (1) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would have been at least 2.0 to 1.0 or (2) the Consolidated Net Leverage Ratio for the Issuer and its Restricted Subsidiaries would have been no greater than 7.6 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness ("**Permitted Debt**"):

(1) Indebtedness Incurred by the Issuer or any Restricted Subsidiary pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding:

 (a) the sum of (i) £1,575 million, (ii) £300 million and (iii) the greater of £300 million and 100% of Consolidated EBITDA, *plus*

 (b) the maximum amount of Indebtedness that is Secured Indebtedness such that, after giving *pro forma* effect to such Incurrence, the Consolidated Secured Net Leverage Ratio, for the Issuer and its Restricted Subsidiaries would have been no greater than 6.0 to 1.0, *plus*

 (c) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) (a) Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary, so long as the Incurrence of such Indebtedness is permitted to be Incurred by another provision of this covenant; *provided* that, if the Indebtedness being guaranteed is subordinated to the Notes or a Note Guarantee, then the guarantee must be subordinated to the Notes or such Note Guarantee to the same extent as the Indebtedness being guaranteed; or (b) without limiting the covenant described under "*—Limitation on Liens*", Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;

(3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided*, however, that any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary and any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Issuer or such Restricted Subsidiary, as the case may be;

(4) (a) Indebtedness represented by (i) the Notes (other than any Additional Notes) and the related Note Guarantees and (ii) an unlimited principal amount of PIK Interest (including PIK Notes issued from time to time) in payment of accrued interest on the Notes (including any Additional Notes);

 (b) any Indebtedness of the Issuer and its Restricted Subsidiaries (other than Indebtedness Incurred under the Senior Secured Credit Facilities Agreement or Indebtedness described in clauses (1), (2), (3) or (4)(a) of this paragraph), outstanding on the Issue Date or with respect to (x) Arachas and its Subsidiaries, outstanding on the Arachas Closing Date, (y) Bravo and its Subsidiaries, outstanding on the Bravo Closing Date or (z) Bennetts and its Subsidiaries, outstanding on the Bennetts Closing Date, in each case after giving *pro forma* effect to the Transactions;

 (c) Refinancing Indebtedness Incurred in respect of any Indebtedness described in clauses (4)(a), (4)(b) and (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant; and

 (d) Management Advances;

(5) Indebtedness of any Person (i) outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary or (ii) Incurred to provide all or a portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which any Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary; *provided* that, with respect to this clause (5), at the time of such acquisition or other transaction and after giving pro forma effect to such acquisition or other transaction and to the related Incurrence of Indebtedness, either (x) the Issuer would have been able to Incur £1.00 of additional Indebtedness pursuant to clause (1) or clause (2) of the first paragraph of this covenant or to the extent such Indebtedness is Secured Indebtedness, clause (1)(b) of the second paragraph of this covenant or

(y) the Fixed Charge Coverage Ratio or the Consolidated Net Leverage Ratio for the Issuer and its Restricted Subsidiaries or to the extent such Indebtedness is Secured Indebtedness, the Consolidated Secured Net Leverage Ratio, in each case, would not be less than it was immediately prior to giving effect to such acquisition or other transaction and to the related Incurrence of Indebtedness;

(6) Indebtedness under Currency Agreements and Interest Rate Agreements not for speculative purposes (as determined in good faith by the Board of Directors or an Officer of the Issuer);

(7) Indebtedness consisting of (A) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or (B) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time (x) the greater of £55 million and 19% of Consolidated EBITDA *plus* (y) the amount of any Capitalized Lease Obligations relating to any operating lease;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, value added tax ("**VAT**") or other tax guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or in respect of any governmental requirement, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business or in respect of any governmental requirement; *provided* that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 120 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business and (d) any customary treasury and/or cash management services, including treasury, depository, overdraft, credit card processing, credit or debit card, purchase card, electronic funds transfer, the collection of cheques and direct debits, cash pooling and other cash management arrangements, in each case, in the ordinary course of business;

(9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earn-outs or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that, in connection with a disposition, the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;

(10) (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided* that such Indebtedness is extinguished within 120 Business Days of Incurrence;

(b) customer deposits and advance payments received in the ordinary course of business from customers for goods or services purchased in the ordinary course of business;

(c) Indebtedness owed on a short-term basis of no longer than 120 days to banks and other financial institutions Incurred in the ordinary course of business of the Issuer and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer and its Restricted Subsidiaries; and

(d) Indebtedness Incurred by the Issuer or a Restricted Subsidiary in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case Incurred or undertaken in the ordinary course of business;

(11) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed the greater of £107 million and 37% of Consolidated EBITDA;

(12) Indebtedness Incurred pursuant to (a) Qualified Receivables Financing and (b) any other factoring, reverse factoring or receivables financing arrangement (1) which is non-recourse to the Issuer or any Restricted Subsidiary (other than a Receivables Subsidiary) except to the extent of any Standard Securitization Undertaking, other than any recourse in respect of which the Issuer or the applicable Restricted Subsidiary itself has corresponding recourse against any insurance underwriter or provider, or (2) where the recourse to the Issuer of any Restricted Subsidiary (other than a Receivables Subsidiary) does not exceed the greater of £85 million and 30% of Consolidated EBITDA;

(13) loan notes issued and cancelled substantially concurrently in connection with the roll up of the equity held in a Restricted Subsidiary by Management Investors;

(14) Indebtedness of the Issuer and the Guarantors in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (14) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer or a Guarantor from the issuance or sale (other than to the Issuer or a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or an Excluded Contribution) of the Issuer or a Guarantor, in each case, subsequent to the Issue Date; *provided*, however, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1) and (10) of the second paragraph of the covenant described under "*—Limitation on Restricted Payments*" to the extent the Issuer and its Restricted Subsidiaries Incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (14) to the extent the Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1) and (10) of the second paragraph of the covenant described under "*—Limitation on Restricted Payments*" in reliance thereon; and

(15) Indebtedness consisting of local lines of credit, bilateral facilities, working capital or overdraft facilities or other operating facilities in an amount that does not exceed the greater of £70 million and 25% of Consolidated EBITDA;

*provided* that no more than the greater of £85 million and 30% of Consolidated EBITDA of Indebtedness at any time outstanding may be Incurred by a Restricted Subsidiary which is not a Guarantor pursuant to the first paragraph of this covenant (the "**Non-Guarantor Debt Cap**").

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant and Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant;

(2) all Indebtedness outstanding under the Secured Credit Facilities on the Issue Date shall be deemed initially Incurred under clause (1)(a) of the second paragraph of this covenant (and not the first paragraph or clause (4)(b) of the second paragraph of this covenant) and such amounts under the Term Facility (and any Refinancing Indebtedness in respect of the Term Facility) may not be reclassified;

(3) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(4) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7), (11) or (14) of the second paragraph of this covenant or the first paragraph of this covenant and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(5) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;

(7) for the purposes of determining "Consolidated EBITDA" under this covenant, Consolidated EBITDA shall be measured at the option of the Issuer on the most recent date on which new commitments are obtained or the date on which new Indebtedness is Incurred (in the case of revolving facilities) or the date on which new Indebtedness is Incurred (in the case of term facilities) and for the period of the most recent four consecutive fiscal quarters ending prior to such date for which such internal consolidated financial statements of the Issuer or the SFA Reporting Entity are available; and

(8) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness (including, without limitation, any PIK Interest), the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this "*—Limitation on Indebtedness*". The amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this "*—Limitation on Indebtedness,*" the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any pound sterling-denominated restriction on the Incurrence of Indebtedness, the Sterling Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed or first Incurred (whichever yields the lower Sterling Equivalent), in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than pound sterling, and such refinancing would cause the applicable pound sterling-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such pound sterling-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the amount set forth in clause (2) of the definition of Refinancing Indebtedness; (b) the Sterling Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to the pound sterling) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in pound sterling will be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

***Limitation on Layering***

The Issuer will not permit any Guarantor to, and no Guarantor shall, incur any Indebtedness that is or purports to be by its terms (or by the terms of any agreement governing such Indebtedness) subordinated in right of payment to any Senior Indebtedness of such Guarantor unless such Indebtedness is *pari passu* with the Note Guarantee of such Guarantor or is also by its terms (or by the terms of any agreement governing such Indebtedness) made subordinated in right of payment to the Note Guarantee of such Guarantor; *provided* that the foregoing limitation shall not apply to distinctions between categories of Senior Indebtedness that exist by reason of any Liens or Guarantees or the ordering of payment for any Liens; *provided*, *further*, that Indebtedness under a Credit Facility that is Senior Indebtedness of a Guarantor may provide for an ordering of payments among the tranches of such Credit Facility.

*Limitation on Restricted Payments*

The Issuer will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any other payment or distribution on or in respect of the Issuer's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) except:

(a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Issuer or in Subordinated Shareholder Funding; and

(b) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Issuer or another Restricted Subsidiary on no more than a *pro rata* basis, measured by value);

(2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Issuer or any direct or indirect Parent Entity of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));

(3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*");

(4) make any payment (whether of principal, interest or other amounts) on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding (other than any payment of interest thereon in the form of additional Subordinated Shareholder Funding); or

(5) make any Restricted Investment in any Person,

(each such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) is referred to herein as a "**Restricted Payment**"), if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

(a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(b) the Issuer is not able to Incur an additional £1.00 of Indebtedness pursuant to clause (1) of the first paragraph of the covenant described under "*—Limitation on Indebtedness*" after giving effect, on a pro forma basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5) or (10) of the second paragraph of this covenant, but excluding all other Restricted Payments permitted by the second paragraph of this covenant) would exceed the sum of (without duplication):

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the fiscal quarter commencing immediately after the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Issuer or the SFA Reporting Entity are available (or, in the case such Consolidated Net Income is a deficit, minus 100% of such deficit, *provided* that such amount shall not be less than zero);

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value of property or assets or marketable securities, received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer or any Restricted Subsidiary subsequent to the Issue Date (other than (v) Subordinated Shareholder Funding or Capital Stock in each case sold to a Subsidiary of the Issuer, (w) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (x) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clauses (1) or (6) of the second paragraph of this covenant, and (y) Excluded Contributions);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value of property or assets or marketable securities received by the Issuer or any Restricted Subsidiary upon such conversion or exchange); but excluding (w) Disqualified Stock or Indebtedness issued or sold to a Subsidiary of the Issuer, (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clauses (1) or (6) of the second succeeding paragraph, and (y) Excluded Contributions;

(iv) (a) 100% of the aggregate net cash proceeds, and the fair market value of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the disposition of any Unrestricted Subsidiary or the disposition or repayment of any Investment constituting a Restricted Payment made after the Issue Date (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) or (b) upon the full and unconditional release of a Restricted Investment that is a Guarantee made by the Issuer or one of its Restricted Subsidiaries to any Person after the Issue Date, an amount equal to the amount of such Guarantee;

(v) in the event that an Unrestricted Subsidiary is designated as a Restricted Subsidiary or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into the Issuer or a Restricted Subsidiary, 100% of the amount received in cash and the fair market value of any property or marketable securities received by the Issuer or any Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clause (11) of the definition of "Permitted Investment"; and

(vi) 100% of any dividends or distributions received by the Issuer or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary;

*provided*, *however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included in any of the foregoing clauses (iv), (v) or (vi).

The foregoing provisions will not prohibit any of the following (collectively, "**Permitted Payments**"):

(1) any Restricted Payment made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale or issuance (other than to a Subsidiary of the Issuer) of, Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Issuer; *provided* that to the extent so applied, the Net Cash Proceeds, or fair market value of property or assets or of marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the preceding paragraph;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" above;

(3) any purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement of Preferred Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Issuer or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" above, and that in each case, constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:

(a) from Net Available Cash to the extent permitted under "*—Limitation on Sales of Assets and Subsidiary Stock*" but only (i) if the Issuer shall have first complied with the terms described under "*—Limitation on Sales of Assets and Subsidiary Stock*" and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness *plus* accrued and unpaid interest;

(b) following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (i) if the Issuer shall have first complied with the terms described under "*—Change of Control*" and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; and

(c) (i) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such transaction or series of transactions) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of such Acquired Indebtedness;

(5) any dividends paid within, or redemption or repurchase consummated within, 60 days after the date of declaration or the giving of the redemption or repayment notice if at such date of declaration or notice such dividend or redemption or repayment, as the case may be, would have complied with this covenant;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, any Subsidiary or any Parent Entity (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Issuer or any Restricted Subsidiary to any Parent Entity or Special Purpose Vehicle to permit any Parent Entity or Special Purpose Vehicle to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Subsidiary or any Parent Entity (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Subsidiary or any Parent Entity (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions does not exceed an amount (net of repayments of any such loans or advances) the greater £30 million and 10% of Consolidated EBITDA in any calendar year (with unused amounts being carried forward to succeeding calendar years and amounts that will not be used in the subsequent calendar year being carried back to the immediately preceding calendar year), *plus* (y) the Net Cash Proceeds received by the Issuer or its Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent Entity) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof) *plus* (z) the net cash proceeds from key man life insurance policies, to the extent such net cash proceeds in (y) and (z) are not included in any calculation under clause (c)(ii) of the first paragraph describing this covenant and are not Excluded Contributions;

(7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under "*—Limitation on Indebtedness*";

(8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(9) dividends, loans, advances or distributions to any Parent Entity or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):

(a) the amounts required for any Parent Entity, without duplication, to pay any Parent Expenses or any Related Taxes; or

(b) amounts (i) in connection with the Transactions or (ii) to be used for purposes of making payments of fees and expenses Incurred to the extent specified in clauses (2), (3), (5), (7) and (11) of the second paragraph under "*—Limitation on Affiliate Transactions*";

(10) so long as no Event of Default is continuing (or would result therefrom), the declaration and payment by the Issuer of, or loans, advances, dividends or distributions to any Parent Entity to pay, dividends on the common stock or common equity interests of the Issuer, an IPO Entity or any Parent Entity following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Issuer or any Restricted Subsidiary or the IPO Entity from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through Excluded Contributions) of the Issuer or contributed as Subordinated Shareholder Funding and (b) following the Initial Public Offering, an amount equal to the greater of (i) the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization; *provided* that in the case of this clause (i) after giving pro forma effect to such loans, advances, dividends or distributions, the Consolidated Secured Net Leverage Ratio shall be equal to or less than 3.75 to 1.0 and (ii) the greater of (A) 5% of the Market Capitalization and (B) 5% of the IPO Market Capitalization; *provided* that in the case of this clause (ii) after giving pro forma effect to such loans, advances, dividends and distributions, the Consolidated Secured Net Leverage Ratio shall be equal to or less than 4.0 to 1.0;

(11) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of £65 million and 22% of Consolidated EBITDA;

(12) payments by the Issuer, or loans, advances, dividends or distributions to any Parent Entity to make payments, to holders of Capital Stock of the Issuer or any Parent Entity in lieu of the issuance of fractional shares of such Capital Stock; *provided*, however, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined by the Board of Directors or an Officer of the Issuer);

(13) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (13);

(14) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing;

(15) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the Issue Date; and (ii) the declaration and payment of dividends to any Parent Entity or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent Entity or Affiliate issued after the Issue Date; *provided* that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (15) shall not exceed the Net Cash Proceeds received by the Issuer or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution or, in the case of Designated Preference Shares by such Parent Entity or Affiliate, the issuance of Designated Preference Shares) of the Issuer or contributed as Subordinated Shareholder Funding, as applicable, from the issuance or sale of such Designated Preference Shares;

(16) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;

(17) so long as no Event of Default is continuing (or would result therefrom), (a) any Restricted Payment; *provided* that the Consolidated Net Leverage Ratio for the Issuer and its Restricted Subsidiaries does not exceed 5.1 to 1.0 on a *pro forma* basis after giving effect thereto or (b) any Restricted Investment; *provided* that the Consolidated Net Leverage Ratio for the Issuer and its Restricted Subsidiaries does not exceed 6.1 to 1.0 on a *pro forma* basis after giving effect thereto;

(18) advances or loans to (a) any future, present or former officer, director, employee or consultant of the Issuer or a Restricted Subsidiary or any Parent Entity to pay for the purchase or other acquisition for value of Capital Stock of the Issuer or any Parent Entity (other than Disqualified Stock or Designated Preference Shares), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (b) any

management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock of the Issuer or any Parent Entity (other than Disqualified Stock or Designated Preference Shares); *provided* that the total aggregate amount of Restricted Payments made under this clause (18) does not exceed the greater of £30 million and 10% of Consolidated EBITDA in any calendar year (with unused amounts being carried forward to succeeding calendar years and amounts that will not be used in the subsequent calendar year being carried back to the immediately preceding calendar year);

(19) dividends, loans, distributions, advances or other payments by the Issuer or any of its Restricted Subsidiaries to or on behalf of the direct parent of the Issuer to service the substantially concurrent payment of regularly scheduled interest amounts due under any Subordinated Indebtedness; *provided* that the net cash proceeds of such Indebtedness or of any Indebtedness for which such Indebtedness constitutes Refinancing Indebtedness have been contributed to the Issuer and such Indebtedness has been guaranteed by, or is otherwise considered Indebtedness of, the Issuer or any of its Restricted Subsidiaries Incurred in accordance with the covenant described under "*—Limitation on Indebtedness*";

(20) any dividends, distributions or other payments to any Parent Entity or Unrestricted Subsidiary to the extent that such dividends, distributions or payments are made in order to carry out group contributions under the tax laws or regulations of an applicable jurisdiction up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Issuer and its Restricted Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Issuer and its Restricted Subsidiaries had paid tax on a consolidated, combined, group, affiliates or unitary basis on behalf of an affiliate group consisting only of the Issuer and its Restricted Subsidiaries; and

(21) all distributions and other payments as a result of a Liquidity Event or Repurchase Event required to be made to Management Investors in a Restricted Subsidiary as a result of such Liquidity Event or Repurchase Event.

For purposes of determining compliance with this covenant, in the event that a Restricted Payment (or portion thereof) meets the criteria of more than one of the categories of Permitted Payments described in clauses (1) through (21) above, or is permitted pursuant to the first paragraph of this covenant and/or one or more of the clauses contained in the definition of "Permitted Investment", the Issuer will be entitled to classify such Restricted Payment or Investment (or portion thereof) on the date of its payment or later reclassify (based on circumstances existing on the date of such reclassification) such Restricted Payment or Investment (or portion thereof) in any manner that complies with this covenant, including as an Investment pursuant to one of more clauses contained in the definition of "Permitted Investment".

Prior to an Initial Public Offering, if an interest period occurs in respect of which the Issuer pays part or all of the interest due in respect of such interest period as PIK Interest, then the Issuer will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to declare or pay any dividend in cash or make any distribution in cash on or in respect of the Issuer's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) (x) to any Permitted Holder in reliance on clause (c) of the first paragraph or clauses (11) or (17)(a) of the second paragraph of this covenant or (y) in reliance on clause (19) of the second paragraph of this covenant, in each case, over the course of such interest period.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment (or the LCT Test Date) of the assets or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Issuer.

***Limitation on Liens***

The Issuer will not, and the Issuer will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "**Initial Lien**"), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the obligations under the Notes and the Indenture are directly secured, subject to the Agreed Security Principles, equally and ratably with, or prior to, in the case of Liens with respect to

Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes pursuant to clause (a)(2) of the preceding paragraph will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under "*—Security—Release of Liens*" or the relevant Security Document.

***Limitation on Restrictions on Distributions from Restricted Subsidiaries***

The Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary;

(b) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(c) sell, lease or transfer any of its property or assets to the Issuer or any Restricted Subsidiary, *provided* that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Secured Credit Facilities), (b) the Notes Documents, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Senior Secured Credit Facilities Agreement, the Security Documents or any other related security documents, (c) any agreement or instrument entered into in connection with the Transactions or (d) any other agreement or instrument in effect at or entered into on the Issue Date (or in the case of the Arachas Group or the Bravo Group on the Arachas Closing Date or the Bravo Closing Date, as applicable);

(2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary, or was designated as a Restricted Subsidiary or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is the Successor Company (as defined under "*—Merger and Consolidation*"), any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Company;

(3) any encumbrance or restriction:

    (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

    (b) contained in mortgages, charges, pledges or other security agreements not prohibited by the Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary not prohibited by the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, charges, pledges or other security agreements;

    (c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary; or

    (d) contained in any trading, netting, operating, construction, service, supply, purchase, sale or other agreement to which the Issuer or any Restricted Subsidiary is party entered into in the ordinary course of business or consistent with past practice; *provided* that such agreement prohibits the encumbrance of solely the property or assets of the Issuer or such Restricted Subsidiary that are subject to such agreement, the payment rights arising thereunder or the proceeds thereof and does not extend to any other asset or property of the Issuer or such Restricted Subsidiary or the assets or property of another Restricted Subsidiary;

(4) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations not prohibited under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired in the nature of clause (c) of the preceding paragraph of this covenant, or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the distribution or transfer of the assets or Capital Stock of the joint venture;

(5) any encumbrance or restriction with respect to contracts for the sale or disposition of assets (including sale-leaseback agreements), including customary restrictions with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(6) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business or consistent with past practice;

(7) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority or any governmental licenses, concessions, franchises or permits, including restrictions or encumbrances on cash or deposits (including assets in escrow accounts and Trust Accounts) paid on property;

(8) any encumbrance or restriction on cash or other deposits or net worth imposed by customers, landlords or suppliers, or as required by insurance, surety or bonding companies or indemnities, in each case, under agreements or policies entered into in the ordinary course of business or consistent with past practice or arising in connection with any Permitted Liens;

(9) any encumbrance or restriction pursuant to any Currency Agreements or Interest Rate Agreements or other agreement relating to any other hedging obligations;

(10) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "*—Limitation on Indebtedness*" if (1) the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially more restrictive than (i) the encumbrances or restrictions contained in the Indenture, the Senior Secured Credit Facilities Agreement together with any security documents associated therewith and/or the Intercreditor Agreement or otherwise as in effect on the Issue Date or (ii) as is customary in comparable financings (as determined in good faith by the Board of Directors or an Officer of the Issuer), (2) the Issuer determines at the time of the Incurrence of such Indebtedness that such encumbrances or restrictions will materially impair the Issuer's ability to make principal or interest payments on the Notes as they come due, or (3) such encumbrances or restrictions apply only during the continuance of a default in respect of payment or financial maintenance covenant of such Indebtedness;

(11) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of the Board of Directors or an Officer of the Issuer, are necessary or advisable to effect such Qualified Receivables Financing;

(12) any encumbrance or restriction existing by reason of any Lien permitted under "*—Limitation on Liens*";

(13) customary provisions in shareholder agreements, including without limitation, those relating to non-Wholly Owned Subsidiaries or in joint venture agreements or other similar agreements or arrangements relating to such joint venture; or

(14) any encumbrance or restriction of the type referred to in clauses (a), (b) or (c) of the first paragraph of this covenant imposed by any amendments, modifications, restatements, renewals, increases, supplements, refunding, replacements or refinancings to an agreement referred to in clauses (1) to (13) of this paragraph or this clause (14) (the "**Initial Agreement**"); *provided* that any such amendments, modifications, restatements, renewals, increases, supplements, refunding, replacements or refinancings are not materially more restrictive than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements (taken as a whole) to which such amendments, modifications, restatements, renewals, increases, supplements, refunding, replacements or refinancings relates (as determined in good faith by the Board of Directors or an Officer of the Issuer).

***Limitation on Sales of Assets and Subsidiary Stock***

The Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Disposition unless:

(1) the consideration the Issuer or such Restricted Subsidiary receives for such Asset Disposition is not less than the fair market value of the assets sold (as determined by the Board of Directors or an Officer of the Issuer); and

(2) except in the case of a Permitted Asset Swap, at least 75% of the consideration the Issuer or such Restricted Subsidiary receives in respect of such Asset Disposition consists of:

(a) cash (including any net cash proceeds received from the conversion, within 180 days of such Asset Disposition, of securities, notes or other obligations received in consideration of such Asset Disposition);

(b) Cash Equivalents;

(c) the assumption by the purchaser of (x) any liabilities of the Issuer or its Restricted Subsidiaries recorded on the Issuer's consolidated balance sheet or the notes thereto (or, if Incurred since the date of the latest balance sheet, that would be recorded on the next balance sheet) (other than Subordinated Indebtedness), as a result of which neither the Issuer nor any of the Restricted Subsidiaries remains obligated in respect of such liabilities or (y) Indebtedness of a Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, if the Issuer and each other Restricted Subsidiary are released from any guarantee of such Indebtedness as a result of such Asset Disposition;

(d) any Capital Stock or assets of the kind referred to in clause (4) or (6) in the second paragraph of this covenant;

(e) consideration consisting of Indebtedness of the Issuer or any Guarantor received from Persons who are not the Issuer or any Restricted Subsidiary, but only to the extent that such Indebtedness (i) has been extinguished by the Issuer or the applicable Guarantor and (ii) is not Subordinated Indebtedness of the Issuer or such Guarantor;

(f) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at any one time outstanding, not to exceed the greater of £87 million and 30% of Consolidated EBITDA (with the fair market value of each issue of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); or

(g) a combination of the consideration specified in clauses (a) through (f) of this clause (2).

If the Issuer or any Restricted Subsidiary consummates an Asset Disposition, the Net Available Cash of the Asset Disposition, within 630 days of the later of (i) the date of the consummation of such Asset Disposition and (ii) the receipt of such Net Available Cash, may be used by the Issuer or such Restricted Subsidiary to:

(1) (i) prepay, repay, purchase or redeem any series of Notes and/or any other Pari Passu Indebtedness (other than Indebtedness owed to the Issuer or any Restricted Subsidiary), with respect to such other Pari Passu Indebtedness, at a price of no more than the principal amount of such applicable Indebtedness, *plus* accrued and unpaid interest, Additional Amounts and applicable prepayment or redemption premium, if any, to the date of such prepayment, repayment, purchase or redemption and with respect to any Notes, at a price of no less than 100% of the principal amount of such Notes, *plus* accrued and unpaid interest (paid at the rate of Cash Interest) and Additional Amounts, if any, to the date of such prepayment, repayment, purchase or redemption; *provided* that the Issuer shall prepay, repay, purchase or redeem Pari Passu Indebtedness (other than the Notes) pursuant to this sub-clause (i) only if the Issuer makes (at such time or in compliance with this covenant) an offer to Holders to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Notes equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the total aggregate principal amount of Notes outstanding *plus* the total aggregate principal amount outstanding of such other Pari Passu Indebtedness; or (ii) prepay, repay, purchase or redeem any Senior Indebtedness, Secured Indebtedness, Indebtedness of a Restricted Subsidiary that is not a Guarantor or any Indebtedness that is secured by Liens on assets which do not constitute Collateral (in each case other than Subordinated Indebtedness of the Issuer or a Guarantor or Indebtedness owed to the Issuer or any Restricted Subsidiary);

(2) purchase any series of Notes pursuant to an offer to all Holders of such series of Notes at a purchase price in cash equal to at least 100% of the principal amount thereof, *plus* accrued and unpaid interest (paid at the rate

of Cash Interest) and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) or by making an Asset Disposition Offer to all Holders of the Notes (in accordance with the procedures set out below);

(3) invest in any Replacement Assets;

(4) acquire all or substantially all of the assets of, or any Capital Stock of, another Similar Business, if, after giving effect to any such acquisition of Capital Stock, the Similar Business is or becomes a Restricted Subsidiary;

(5) make a capital expenditure;

(6) acquire other assets (other than Capital Stock and cash or Cash Equivalents) that are used or useful in a Similar Business;

(7) consummate any combination of the foregoing; or

(8) enter into a binding commitment to apply the Net Available Cash pursuant to clauses (1) through (7) or of this paragraph or a combination thereof; *provided* that a binding commitment shall be treated as a permitted application of the Net Available Cash from the date of such commitment until the earlier of (x) the date on which such investment is consummated and (y) the 180th day following the expiration of the aforementioned 630-day period, if the investment has not been consummated by that date.

The amount of such Net Available Cash not so used as set forth in this paragraph constitutes "**Excess Proceeds**". Pending the final application of any such Net Available Cash, the Issuer may temporarily reduce revolving credit borrowings or otherwise invest such Net Available Cash in any manner that is not prohibited by the terms of the Indenture. On the 631st day after an Asset Disposition or such earlier time if the Issuer elects, if the aggregate amount of Excess Proceeds exceeds the greater of £42.5 million and 15% of Consolidated EBITDA, the Issuer will be required to make within 30 Business Days thereof an offer (an "**Asset Disposition Offer**") to all Holders and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any such Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of such Pari Passu Indebtedness, in each case, plus accrued and unpaid interest (paid at the rate of Cash Interest), Additional Amounts and applicable prepayment or redemption premium, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing such Pari Passu Indebtedness, as applicable, and in the case of the Notes, in minimum denominations of $200,000 and in integral multiples of $1.00 in excess thereof.

To the extent that the aggregate amount of Notes so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer and any such Pari Passu Indebtedness so redeemed or repaid is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes or any other purpose not prohibited by the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and such other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and such Pari Passu Indebtedness to be repaid or purchased on a *pro rata* basis on the basis (or, in the case of Global Notes, in accordance with the procedures of the relevant clearing system) of the aggregate principal amount of tendered Notes and such Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in pound sterling, such Indebtedness shall be calculated by converting any such principal amounts into their Sterling Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, insofar as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "**Asset Disposition Offer Period**"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "**Asset Disposition Purchase Date**"), the

Issuer will purchase the principal amount of Notes and, to the extent it elects, Pari Passu Indebtedness required to be purchased by it pursuant to this covenant (the "**Asset Disposition Offer Amount**") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer. On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary (or, in the case of Global Notes, in accordance with the procedures of the relevant clearing system), the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and, in the case of the Notes, in minimum denominations of $200,000 and in integral multiples of $1.00 in excess thereof. Notwithstanding the foregoing, the Issuer shall be permitted to delay the repayment, prepayment or purchase of Pari Passu Indebtedness until the last day of the first interest period ended not less than 5 Business Days after the termination of the Asset Disposition Offer Period.

The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Paying Agent shall deliver to the Holders of Notes the purchase price of Notes validly tendered and not withdrawn and arrange for the deduction of the appropriate amounts of Notes from such Holders' accounts with the Relevant Clearing System (as applicable). Any Note not so accepted will be promptly mailed or delivered (or transferred by book-entry or otherwise in accordance with the procedures of the Relevant Clearing System) by the Issuer to the Holder thereof.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

Notwithstanding the foregoing provisions of this covenant, to the extent that (x) a contribution or distribution of any or all of the Net Available Cash of any Asset Disposition by a Subsidiary to the Issuer or to a Restricted Subsidiary (to the extent necessary to comply with this covenant) is prohibited or delayed by applicable local law (including financial assistance and corporate benefit restrictions and fiduciary and statutory duties of the relevant directors), (y) a contribution or distribution of any or all of the Net Available Cash of any Asset Disposition by a Subsidiary to the Issuer or to a Restricted Subsidiary (to the extent necessary to comply with this covenant) could result in material adverse Tax consequences, as determined by the Issuer in its sole discretion or (z) a contribution or distribution of any or all of the Net Available Cash of any Asset Disposition by a Subsidiary to the Issuer or to a Restricted Subsidiary (to the extent necessary to comply with this covenant) is subject to a contractual encumbrance or restriction affecting the distribution and such encumbrance or restriction is not prohibited by the covenant described under "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*," the portion of such Net Available Cash so affected will not be required to be applied in compliance with this covenant.

### *Limitation on Affiliate Transactions*

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (any such transaction or series of related transactions being an "**Affiliate Transaction**") involving aggregate value in excess of the greater of £22 million and 7.5% of Consolidated EBITDA unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction on an arm's-length basis at the time of such transaction or the execution of the agreement providing for such transaction in arm's-length dealings with a Person who is not such an Affiliate; and

(2) in the event such Affiliate Transaction involves an aggregate value in excess of the greater of £29 million and 10% of Consolidated EBITDA, the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the disinterested members of the Board of Directors of the Issuer resolving that such transaction complies with clause (1) above.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "*—Limitation on Restricted Payments*", any Permitted Payments (other than pursuant to clause (9)(b)(ii) of the second paragraph of the covenant described under "*—Limitation on Restricted Payments*") or any Permitted Investment (other than Permitted Investments as defined in clauses (1)(b) and (2) of the definition thereof);

(2) any issuance, transfer or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, any Restricted Subsidiary or any Parent Entity, restricted stock plans, long-term incentive plans, profit sharing plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business or consistent with past practice;

(3) any Management Advances, Management Equity Repurchase and any waiver or transaction with respect thereto;

(4) any transaction between or among the Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), between or among Restricted Subsidiaries or between or among the Issuer or any Restricted Subsidiary and any Receivables Subsidiary in connection with a Qualified Receivables Financing;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary or any Parent Entity (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) (i) the Transactions, (ii) the entry into and performance of obligations of the Issuer or any of its Restricted Subsidiaries under the terms of any transaction pursuant to or contemplated by, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more materially disadvantageous to the Holders (taken as a whole), and (iii) the entry into and performance of any registration rights or other listing agreement;

(7) the execution, delivery and performance of any Tax Sharing Agreement or any arrangement pursuant to which the Issuer or any of its Restricted Subsidiaries is required or permitted to file a consolidated tax return, or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business or consistent with past practice;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business or consistent with past practice, which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an Officer of the Issuer or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction in the ordinary course of business or consistent with past practice between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary or any Affiliate of the Issuer or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding and entering into any proceeds loan in respect of the proceeds of any issuance of Subordinated Indebtedness; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding or proceeds loans are approved by a majority of the members of the Board of Directors or an Officer of the Issuer in their reasonable determination and (b) any amendment, waiver or other transaction, including satisfying payment obligations, with respect to any Subordinated Shareholder Funding or proceeds

loan in compliance with the other provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;

(11) (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent Entity) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed the greater of £5 million and 1.7% of Consolidated EBITDA per year and (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent Entity) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with loans, capital market transactions, acquisitions or divestitures, which payments (or agreements providing for such payments) in respect of this clause (11) are approved by the Board of Directors of the Issuer in good faith;

(12) any transactions for which the Issuer or a Restricted Subsidiary delivers a written letter or opinion to the Trustee from an Independent Financial Advisor stating that such transaction is (i) fair to the Issuer or such Restricted Subsidiary from a financial point of view or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's-length basis from a Person who is not an Affiliate;

(13) pledges of Capital Stock of Unrestricted Subsidiaries;

(14) any transaction effected as part of a Qualified Receivables Financing;

(15) any participation in a public tender or exchange offer for securities or debt instruments issued by the Issuer or any of its Subsidiaries that are conducted on arm's-length terms and provide for the same price or exchange ratio, as the case may be, to all holders accepting such tender or exchange offer; and

(16) on or prior to the Bravo Closing Date, transactions with Broker Networks in the ordinary course of business, which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an Officer of the Issuer or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party.

***Reports***

So long as any Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

(1) within 120 days after the end of the SFA Reporting Entity's fiscal year beginning with the fiscal year ending December 31, 2020, annual reports containing: (i) an operating and financial discussion of the audited financial statements, including a discussion of the financial condition and results of operations, and a discussion of liquidity and capital resources, and material commitments and contingencies of the SFA Reporting Entity; (ii) unaudited *pro forma* income statement and balance sheet information of the SFA Reporting Entity, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (unless such *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) hereof); *provided* that such *pro forma* financial information (x) shall not be required with respect to any of the Arachas Acquisition, the Bravo Acquisition or the Bennetts Acquisition and (y) will be provided only to the extent available without unreasonable expense, in which case the SFA Reporting Entity will provide, in the case of a material acquisition, acquired company financial information; (iii) the audited consolidated balance sheet of the SFA Reporting Entity as at the end of the most recent two fiscal years and audited consolidated income statements and statements of cash flow of the SFA Reporting Entity for the most recent two fiscal years, including appropriate footnotes to such financial statements, for and as at the end of such fiscal years, and the report of the independent auditors on the financial statements; (iv) a description of the management and shareholders of the SFA Reporting Entity, all material affiliate transactions and a description of all material debt instruments; (v) any material changes to the operational risk factors disclosed in the Offering Memorandum or the most recent quarterly report and material subsequent events; and (vi) adjusted EBITDA for the year; *provided* that the information described in clauses (iv), (v) and (vi) may be provided in the footnotes to the audited financial statements;

(2) within 90 days after the end of the SFA Reporting Entity's fiscal quarter ended June 30, 2020 and within 60 days following the end of the first, second and third fiscal quarters in each fiscal year of the SFA Reporting Entity, unaudited quarterly financial statements containing the following information: (i) the SFA Reporting Entity's unaudited condensed consolidated balance sheet as at the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote

disclosure; (ii) unaudited *pro forma* income statement and balance sheet information of the SFA Reporting Entity, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates (unless such *pro forma* information has been provided in a previous report pursuant to clause (1) or (3) hereof); *provided* that such *pro forma* financial information (x) shall not be required with respect to any of the Arachas Acquisition, the Bravo Acquisition or the Bennetts Acquisition and (y) will be provided only to the extent available without unreasonable expense, in which case the SFA Reporting Entity will provide, in the case of a material acquisition, acquired company financial information; (iii) an operating and financial discussion of the unaudited financial statements, including a discussion of the consolidated financial condition, results of operations, adjusted EBITDA and material changes in liquidity and capital resources of the SFA Reporting Entity; (iv) material subsequent events and any material changes to the operational risk factors disclosed in the Offering Memorandum or the most recent annual or quarterly report; *provided* that the information described in clauses (iii) and (iv) may be provided in the footnotes to the unaudited financial statements; and

(3) promptly after the occurrence of a material event that the Issuer announces publicly or any acquisition, disposition or restructuring, merger or similar transaction that is material to the Issuer and the Restricted Subsidiaries, taken as a whole, or change of a senior executive officer of the Group or a change in auditors of the Reporting Entity, a report containing a description of such event.

The Issuer shall have the option at any time to provide the reports set forth in (1) and (2) above by furnishing such financial information relating to (i) any Parent Entity consolidating reporting at its level or (ii) the Issuer and its Subsidiaries. In addition, following an Initial Public Offering of the Capital Stock of an IPO Entity and/or the listing of such Capital Stock on the Main Market of the London Stock Exchange (or one or more of the equivalent markets of an international stock exchange), the requirements of clause (1), (2) and (3) above shall be considered to have been fulfilled if the IPO Entity complies with the reporting requirements of such stock exchange; *provided* that the IPO Entity shall disclose adjusted EBITDA. The Issuer, the SFA Reporting Entity or such other entity the reports of which are delivered pursuant to this paragraph is referred to as the "**Reporting Entity**".

In addition, the Issuer shall furnish to the Holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act for so long as the Notes are not freely transferable under the Exchange Act by persons who are not "affiliates" under the Securities Act.

The Issuer shall use its commercially reasonable efforts to make available to Holders and prospective holders of the Notes copies of all reports furnished to the Trustee on the Reporting Entity's website. All financial statement information shall be prepared on a basis consistent with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented, except as may otherwise be described in such information; *provided, however,* that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. To the extent comparable prior period financial information of the Reporting Entity does not exist, the comparable prior period financial information of the Original Guarantor and its Subsidiaries or Ardonagh Group Limited and its Subsidiaries, if available, may be provided in lieu thereof. No report need include separate financial statements for any Subsidiaries of the Issuer. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. generally accepted accounting principles.

At any time that any of the Issuer's subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, constitutes a Significant Subsidiary of the Issuer, then the quarterly and annual financial information required by the first paragraph of this covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Reporting Entity and the Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries.

All reports provided pursuant to this covenant shall be made in the English language.

In the event that (i) the Issuer becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the SEC, or (ii) the Issuer elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Issuer) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in this covenant.

***Suspension of Covenants on Achievement of Investment Grade Status***

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "**Suspension Event**"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (the "**Reversion Date**"), the provisions of the Indenture summarized under the following captions will not apply to the Notes:

(1) "*—Limitation on Restricted Payments*";

(2) "*—Limitation on Indebtedness*";

(3) "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*";

(4) "*—Limitation on Affiliate Transactions*";

(5) "*—Limitation on Sales of Assets and Subsidiary Stock*";

(6) "*—Limitation on Additional Guarantees*"; and

(7) the provisions of clause (3) of the first paragraph of the covenant described under "*—Merger and Consolidation—The Issuer,"*

and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Issuer and its Restricted Subsidiaries.

Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer or any of its Restricted Subsidiaries properly taken during the continuance of the Suspension Event, and no action taken prior to the Reversion Date will constitute a Default or Event of Default. The covenant described under "*—Limitation on Restricted Payments*" will be interpreted as if it has been in effect since the date of the Indenture but not during the continuance of the Suspension Event. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*." In addition, the Indenture will also permit, without causing a Default or Event of Default, the Issuer or any of the Restricted Subsidiaries to honor any contractual commitments or take actions in the future after any date on which the Notes cease to have an Investment Grade Status as long as the contractual commitments were entered into during the Suspension Event and not in anticipation of the Notes no longer having an Investment Grade Status. The Issuer shall notify the Trustee in writing that the conditions set forth in the first paragraph under this caption have been satisfied; *provided* that no such notification shall be a condition for the suspension of the covenants described under this caption to be effective. There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Status.

***Impairment of Security Interest***

The Issuer and Holdco shall not, and the Issuer shall not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interest with respect to the Collateral (it being understood, subject to the paragraph below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interests with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Issuer and Holdco shall not, and the Issuer shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral.

Notwithstanding the foregoing, (i) the Issuer, Holdco and the Restricted Subsidiaries may Incur Permitted Collateral Liens, (ii) the Collateral may be discharged and released in accordance with the Indenture, the applicable Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement;

(iii) the applicable Security Documents may be amended from time to time to cure any ambiguity, mistake, omission, defect, error or inconsistency therein; (iv) the Issuer, Holdco and the Restricted Subsidiaries may discharge and release Security Interests with respect to the Collateral in connection with the implementation of a Permitted Reorganization; and (v) the Security Interests, and the related Security Documents may be (A) amended, extended, renewed, restated, supplemented or otherwise modified or released followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets or (B) otherwise amended, extended, renewed, restated, supplemented or otherwise modified in any manner that does not materially adversely after the Holders; *provided, however*, that in the case of clause (v) above, the Security Documents may not be amended, extended, renewed, restated, supplemented, released or modified or replaced; unless, contemporaneously with any such action, the Issuer delivers to the Trustee either (1) a solvency opinion, in form reasonably satisfactory to the Trustee, from an Independent Financial Advisor confirming the solvency of the Issuer and its Subsidiaries, taken as a whole or of Holdco and its subsidiaries, taken as a whole (as applicable), and of the person granting such Security Interest, in each case, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (2) a certificate from the Board of Directors of the relevant Person, in form reasonably satisfactory to the Trustee, which confirms the solvency of the person granting such Security Interest, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (3) an Opinion of Counsel, in form reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Security Documents, as so amended, extended, renewed, restated, supplemented, released, modified or replaced, are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, to which such Lien or Liens were not otherwise subject immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement. In the event that the Issuer complies with the requirements of this covenant, the Trustee and the Security Agent shall (subject to each of the Trustee and the Security Agent being indemnified and secured to its satisfaction) consent to such amendments without the need for instructions from the Holders and the Security Agent (and if required the Trustee) shall enter into any documents or take any such actions in connection therewith.

***Limitation on Additional Guarantees***

No Restricted Subsidiary shall Guarantee the Indebtedness outstanding under the Senior Secured Credit Facilities Agreement, any Credit Facility that replaces the Senior Secured Credit Facilities Agreement or any Public Debt, in each case, of the Issuer or a Guarantor unless such Restricted Subsidiary is or becomes a Guarantor within 20 Business Days of the date on which such Guarantee is Incurred and, if necessary, executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Note Guarantee; *provided, however,* that such Restricted Subsidiary shall not be obligated to become such a Guarantor to the extent and for so long as the Incurrence of such Note Guarantee is contrary to the Agreed Security Principles or could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws, rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); (3) any cost, expense, liability or obligation other than reasonable out-of-pocket expenses or (4) is inconsistent with the Intercreditor Agreement or any Additional Intercreditor Agreement. At the option of the Issuer, any Note Guarantee may contain limitations on Guarantor liability to the extent reasonably necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Future Note Guarantees granted pursuant to this provision shall be released as set forth under "—*Releases of the Note Guarantees.*" A Note Guarantee of a future Guarantor may also be released at the option of the Issuer if at the date of such release there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture if such Guarantor had not been designated as a Guarantor. The Trustee and the Security Agent shall execute any documents or each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee reasonably requested by the Issuer in accordance with these provisions, subject to each of the Trustee and the Security Agent being indemnified and secured to its satisfaction.

### *Additional Intercreditor Agreements*

The Indenture will provide that, at the request of the Issuer or Holdco, in connection with the Incurrence by the Issuer or its Restricted Subsidiaries of any (1) Indebtedness permitted pursuant to the covenant described under "*—Limitation on Indebtedness*" or (2) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (1) Holdco, the Issuer, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall (without the consent of the Holders) enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement (an "**Additional Intercreditor Agreement**") or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders (taken as a whole)), including containing substantially the same terms with respect to release of Note Guarantees and priority and release of the Security Interests; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Indenture or the Intercreditor Agreement.

The Indenture also will provide that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect, error or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or any Restricted Subsidiary that is subject to any such agreement (including, with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Notes or any of the Secured Credit Facilities as is otherwise not prohibited by the Indenture (including Additional Notes or Incremental Facilities), make provision for equal and ratable pledges of the Collateral to secure Additional Notes or Incremental Facilities, (6) implement any Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not materially adversely affect the Holders (taken as a whole). In formulating its opinion on such matters, the Trustee shall be entitled to request and rely absolutely on such evidence as it deems appropriate, including an Officer's Certificate and an Opinion of Counsel. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "*—Amendments and Waivers*", and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture will also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and the Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided* that such transaction would comply with the covenant described under "*—Limitation on Restricted Payments*" and the terms of the Intercreditor Agreement and any Additional Intercreditor Agreement.

The Indenture will also provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein), and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement.

## Merger and Consolidation

### *The Issuer*

The Issuer will not, directly or indirectly, consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose of all or substantially all of its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions to, any Person, unless:

(1) either the Issuer is the surviving entity, or the resulting, surviving or transferee Person (the "**Successor Company**") will be a Person organized and existing under the laws of any member state of the European

Union, the United Kingdom, Jersey, the Cayman Islands, any State of the United States of America or the District of Columbia, Canada or any province of Canada and the Successor Company (if not the Issuer) will expressly assume (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture and (b) all obligations of the Issuer under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, either (a) the Issuer or the Successor Company would be able to Incur at least an additional £1.00 of Indebtedness pursuant to clause (1) of the first paragraph of the covenant described under "—*Limitation on Indebtedness*" or (b) the Fixed Charge Coverage Ratio for the Issuer or the Successor Company for the most recently ended four full fiscal quarters for which financial statements are available immediately preceding the date on which the transaction is consummated would not be less than it was immediately prior to giving effect to such transaction; and

(4) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any is required in connection with such transaction) comply with the Indenture; *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

Without prejudice to clause (3) in the immediately preceding paragraph, any Indebtedness that becomes an obligation of the Issuer or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under "—*Limitation on Indebtedness*".

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture and the Notes.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the properties or assets of a Person.

### *The Guarantors*

No Guarantor (other than a Guarantor whose Note Guarantee is to be released in accordance with the terms of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement) may:

(1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving corporation);

(2) sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or

(3) permit any Person to merge with or into it unless:

 (a) the other Person is the Issuer or any Restricted Subsidiary that is a Guarantor or becomes a Guarantor substantially concurrently with such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposal;

 (b) (1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Note Guarantee and the Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee) and all obligations of the Guarantor under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable; and (2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and be continuing; or

 (c) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Guarantor or the sale or disposition of all or substantially all of the assets of a Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Indenture;

*provided, however,* that the prohibition in clauses (1), (2) and (3) above shall not apply to the extent that compliance with clauses (a) and (b)(1) could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws, rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses.

***General***

The provisions set forth in this covenant shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary that is not a Guarantor; (ii) any Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Issuer or another Guarantor; (iii) any consolidation or merger of the Issuer into any Guarantor; *provided* that, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Issuer under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, and clauses (1) and (4) under the heading "*—The Issuer*" shall apply to such transaction; or (iv) the Issuer or any Guarantor consolidating into or merging or combining with an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity; *provided, however*, that clauses (1), (2) and (4) under the heading "*—The Issuer*" or clauses (a) and (b) under the heading "*—The Guarantors*," as the case may be, shall apply to any such transaction.

Notwithstanding any of the foregoing, this covenant will not apply to the Transactions.

**Financial Calculations**

***Limited Condition Transactions***

When calculating the availability under any basket or ratio under the Indenture, in each case in connection with any Limited Condition Transaction or actions or transactions related thereto (including, without limitation, acquisitions, Investments, the Incurrence of Indebtedness or the issuance of Disqualified Stock or Preferred Stock and the use of proceeds thereof, the incurrence of Liens, repayments, Restricted Payments, Permitted Investments and Asset Sales), the date of determination for availability under any such basket or ratio, whether such action or transaction is permitted or any requirement is complied with, and of any Default or Event of Default shall, at the option of the Issuer (any such election being an "**LCT Election**"), be the date (the "**LCT Test Date**") the definitive agreements for such Limited Condition Transaction are entered into (or, if applicable, the date of delivery of an irrevocable notice, declaration of a Restricted Payment or similar event) if on a *pro forma* basis after giving effect to such Limited Condition Transaction or actions or transactions related thereto (including, without limitation, acquisitions, Investments, the Incurrence of Indebtedness or the issuance of Disqualified Stock or Preferred Stock and the use of proceeds thereof, the incurrence of Liens, repayments, Restricted Payments and Asset Sales) and any related *pro forma* adjustments as if they occurred at the beginning of the applicable reference period, the Issuer or any of the Restricted Subsidiaries would have been permitted to take such actions or consummate such transactions on the relevant LCT Test Date in compliance with such ratio, test or basket (and any related requirements or conditions), shall be deemed to have been complied with (or satisfied) for all purposes (in the case of Indebtedness, for example, whether such Indebtedness is committed or Incurred at the LCT Test Date or any time thereafter); *provided* that (a) if financial statements for one or more subsequent fiscal quarters shall have become available, the Issuer may elect, in its sole discretion, to re-determine all such ratios, tests or baskets on the basis of such financial statements, in which case, such date of redetermination shall thereafter be deemed to be the applicable LCT Test Date for purposes of such ratios, tests or baskets, (b) except as contemplated in the foregoing sub-clause (a), compliance with such ratios, tests or baskets (and any related requirements and conditions) shall not be determined or tested at any time after the applicable LCT Test Date for such Limited Condition Transaction and any actions or transactions related thereto (including acquisitions, Investments, the incurrence or issuance of Indebtedness, Disqualified Stock or Preferred Stock and the use of proceeds thereof, the incurrence of Liens, repayments, Restricted Payments and Asset Sales) and (c) Consolidated Interest Expense for purposes of the Fixed Charge Coverage Ratio will be calculated using an assumed interest rate based on the indicative interest margin contained in any financing commitment documentation with respect to such Indebtedness or, if no such indicative interest margin exists (as reasonably determined by the Board of Directors or an Officer of the Issuer in good faith).

For the avoidance of doubt, if the Issuer has made an LCT Election, (1) if any of such baskets, ratios or tests for which compliance was determined or tested as of the LCT Test Date would at any time after the LCT Test Date have been exceeded or otherwise failed to have been complied with as a result of fluctuations in any such basket, ratio or test (including due to fluctuations in Consolidated EBITDA of the Issuer, a target company or any other such Person subject to such Limited Condition Transaction), such baskets, ratios or tests will not be deemed to have been exceeded as a result of such fluctuations, (2) such baskets, ratios or tests shall not be tested at the time of consummation of such Limited Condition Transaction or actions or transactions related thereto, (3) if any related requirements and conditions (including as to the absence of any continuing Default or Event of Default) for which compliance or satisfaction was determined or tested as of the LCT Test Date would at any time after the LCT Test Date not have been complied with or satisfied (including due to the occurrence or continuation of a Default or an Event of Default), such requirements and conditions will not be deemed to have been failed to be complied with or satisfied (and such Default or Event of Default shall be deemed not to have occurred or be continuing) and (4) in calculating the availability under any ratio, test or basket in connection with any action or transaction unrelated to such Limited Condition Transaction following the relevant LCT Test Date and prior to the earlier of the date on which such Limited Condition Transaction is consummated or the date that the definitive agreement or date for redemption, purchase or repayment specified in an irrevocable notice for such Limited Condition Transaction is terminated, expires or passes, as applicable, without consummation of such Limited Condition Transaction, any such ratio, test or basket shall be determined or tested giving pro forma effect to such Limited Condition Transaction.

***Certain Calculations***

If any amount is incurred or utilized under any Consolidated EBITDA or ratio-based basket, such amount shall be permitted notwithstanding any subsequent change in Consolidated EBITDA, the Consolidated Secured Net Leverage, the Consolidated Net Leverage Ratio, the Fixed Charge Coverage Ratio or any other financial ratio or metric. If (x) a proposed action, matter, transaction or amount (or a portion thereof) is incurred or entered into pursuant to a fixed basket or the grower component of any other basket and (y) at a later time would subsequently be permitted under a ratio-based basket, unless otherwise elected by the Issuer, such action, matter, transaction or amount (or a portion thereof) shall automatically be reclassified to such ratio-based basket.

Any calculation or measure that is determined with reference to the Issuer's financial statements (including, without limitation, Consolidated EBITDA, Consolidated Interest Expense, Consolidated Net Income, Consolidated Secured Net Leverage, Consolidated Net Leverage Ratio, Fixed Charge Coverage Ratio and Fixed Charges) may be determined with reference to the financial statements of the SFA Reporting Entity (and including, for the avoidance of doubt and without double-counting, amounts related to any Indebtedness of the Issuer and the Restricted Subsidiaries which is not already included therein) or a Parent Entity of the Issuer instead, so long as, in the case of a Parent Entity, such Parent Entity does not hold any material assets other than, directly or indirectly, the Equity Interests of the Issuer (as determined by the Board of Directors or an Officer of the Issuer in good faith).

**Events of Default**

Each of the following is an "**Event of Default**" under the Indenture:

(1) default in any payment of interest on any Note issued under the Indenture when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure by Holdco (only with respect to the covenants under the headings "*—Certain Covenants—Impairment of Security Interests*" and "*—Certain Covenants Additional Intercreditor Agreements*"), the Issuer or any Restricted Subsidiary to comply for 60 days after notice by the Trustee or the Holders of at least 30% in principal amount of the outstanding Notes with its other agreements contained in the Indenture;

(4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted

Subsidiaries (or the payment of which is Guaranteed by the Issuer or any of its Restricted Subsidiaries), other than Indebtedness owed to the Issuer or a Restricted Subsidiary, which:

(a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness ("payment default"); or

(b) results in the acceleration of such Indebtedness prior to its maturity (the "cross-acceleration provision"),

and in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates the greater of £70 million and 25% of Consolidated EBITDA or more;

(5) other than on a solvent basis, certain events of bankruptcy, insolvency or court protection of the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer), would constitute a Significant Subsidiary (the "**bankruptcy provisions**");

(6) failure by the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of the greater of £70 million and 25% of Consolidated EBITDA (exclusive of any amounts for which a solvent insurance company has acknowledged liability), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the "**judgment default provision**");

(7) any Security Interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture) with respect to Collateral having a fair market value in excess of the greater of £5 million and 2% of Consolidated EBITDA for any reason other than the satisfaction in full of all obligations under the Indenture or the release of any such Security Interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any such security interest created thereunder shall be declared invalid or unenforceable or the Issuer, Holdco or any Restricted Subsidiary shall assert in writing that any such security interest is invalid or unenforceable, and any such Default continues for 10 days (the "**security default provision**"); and

(8) any Note Guarantee of a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Note Guarantee, the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Note Guarantee, and any such Default continues for 10 days (the "**guarantee provision**").

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee, by notice to the Issuer, or the Holders of at least 30% in principal amount of the outstanding Notes under the Indenture, by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest (paid at the rate of Cash Interest) on all the Notes under the Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest (paid at the rate of Cash Interest) will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (4) under the definition of "*—Events of Default*" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest (paid at the rate of Cash Interest) on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders. Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

Any notice of Default or Event of Default under the first paragraph of this section (other than an Event of Default described in clause (5) above), notice of acceleration with respect to an Event of Default under the first paragraph of this section (other than an Event of Default described in clause (5) above) or instruction to the Trustee to provide a notice of Default or Event of Default under the first paragraph of this section (other than an Event of Default described in clause (5) above), notice of acceleration with respect to an Event of Default under the first paragraph of this section (other than an Event of Default described in clause (5) above) or take any other action with respect to an alleged Default or Event of Default the first paragraph of this section (other than an Event of Default described in clause (5) above) (a "**Noteholder Direction**") provided by any one or more Holders (each, a "**Directing Holder**") must be accompanied by a written representation from each such Holder to the Issuer and the Trustee that such Holder is not, or, in the case such Holder is the Relevant Clearing System or the Relevant Clearing System's nominee, that such Holder is being instructed solely by beneficial owners that are not, Net Short (a "**Position Representation**"), which representation, in the case of a Noteholder Direction relating to a notice of Default or Event of Default shall be deemed repeated at all times until the resulting Event of Default is cured or otherwise ceases to exist or the Notes are accelerated. In addition, each Directing Holder must, at the time of providing a Noteholder Direction, covenant to provide the Issuer with such other information as the Issuer may reasonably request from time to time in order to verify the accuracy of such Directing Holder's Position Representation within five Business Days of request thereof (a "**Verification Covenant**"). In any case in which the Holder is the Relevant Clearing System or the Relevant Clearing System's nominee, any Position Representation or Verification Covenant required hereunder shall be provided by the beneficial owner of the Notes in lieu of the Relevant Clearing System or the Relevant Clearing System's nominee.

If, following the delivery of a Noteholder Direction, but prior to acceleration of the Notes, the Issuer determines in good faith that there is a reasonable basis to believe a Directing Holder was, at any relevant time, in breach of its Position Representation and the Issuer provides to the Trustee an Officer's Certificate (which shall be provided to the Holders) certifying that the Issuer (i) believes in good faith that there is a reasonable basis to believe a Directing Holder was at any relevant time in breach of its Position Representation or its Verification Covenant and (ii) has filed papers with a court of competent jurisdiction seeking a determination that such Directing Holder was, at such time, in breach of its Position Representation, and seeking to invalidate any Event of Default that resulted from the applicable Noteholder Direction, the cure period with respect to such Event of Default shall be automatically stayed pending a final and non-appealable determination of a court of competent jurisdiction on such matter. If such Officer's Certificate has been delivered to the Trustee, the Trustee shall refrain from acting in accordance with such Noteholder Direction until such time as the Issuer provides to the Trustee an Officer's Certificate stating that (i) a Directing Holder has satisfied its Verification Covenant, (ii) a Directing Holder has failed to satisfy its Verification Covenant or (iii) a court of competent jurisdiction rules that such Directing Holder was, at such time, not in breach of its Position Representation or its Verification Covenant, and during such time the cure period with respect to any Event of Default that resulted from the applicable Noteholder Direction shall be automatically stayed pending satisfaction of such Verification Covenant. Any breach of the Position Representation shall result in such Directing Holder's participation in such Noteholder Direction being disregarded; and, if, without the participation of such Directing Holder, the percentage of Notes held by the remaining Holders that provided such Noteholder Direction would have been insufficient to validly provide such Noteholder Direction, such Noteholder Direction shall be void ab initio, with the effect that such Event of Default shall be deemed never to have occurred, and any related acceleration rescinded, and the Trustee shall be deemed not to have received such Noteholder Direction or any notice of such alleged Default or Event of Default, shall not be permitted to act thereon and shall be restricted from accepting and acting on any future Noteholder Direction in relation to such Event of Default, unless such direction is given by Holders holding the requisite level of consent of Holders required under the Indenture to give such Noteholder Direction (excluding, for the avoidance of doubt, any Directing Holder for so long as such Directing Holder is in breach of its Position Representation). If the Directing Holder has satisfied its Verification Covenant, then the Trustee shall be permitted to act in accordance with such Noteholder Direction. Notwithstanding the above, if such Directing Holder's participation is not required to achieve the requisite level of consent of Holders required under the Indenture to give such Noteholder Direction, the Trustee shall be permitted to act in accordance with such Noteholder Direction notwithstanding any action taken or to be taken by the Issuer (as described above). The Trustee shall be entitled to conclusively rely on any Noteholder Direction or Officer's Certificate delivered to it in accordance with the Indenture without verification, investigation or otherwise as to the statements made therein.

Each Holder by accepting a Note acknowledges and agrees that the Trustee (and any agent) shall not be liable to any party howsoever arising for acting or refraining to act in accordance with (i) the foregoing provisions, (ii) any Noteholder Direction, (iii) any Officer's Certificate or (iv) its duties under the Indenture, as the Trustee may determine in its sole discretion. The Trustee shall have no obligation (i) to monitor, investigate, verify or otherwise determine if a Holder has Net Short position, (ii) investigate the merits, validity, accuracy or authenticity of any Position Representation or Officer's Certificate, as the case may be, (iii) inquire if the Issuer will seek action to determine if a Directing Holder has breached its Position Representation, (iv) enforce any Verification Covenant, (v) monitor any court proceedings undertaken in connection therewith, (vi) monitor or investigate whether any Default or Event of Default has been publicly reported or (vii) otherwise make any calculations, investigations or determinations with respect to any Derivative Instruments, Net Short position, Long Derivative Instrument, Short Derivative Instrument or otherwise. The Trustee shall be entitled to rely on its rights, protections and benefits under the Indenture at all times, including without limitation for actions that are taken and subsequently stayed or annulled.

The Holders of a majority in principal amount of the outstanding Notes under the Indenture by notice to the Trustee may, on behalf of all Holders, waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity or security satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing and, if such Event of Default is in respect of an Event of Default other than as described in clause (5) of the first paragraph of this section, such Holder is not in breach of a Position Representation or Verification Covenant;

(2) Holders, or in the case of any clauses (other than clause (5)) of the first paragraph of this section, Directing Holders that are not in breach of a Position Representation or Verification Covenant, of at least 30% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;

(3) such Holder has offered the Trustee security or indemnity satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of such security or indemnity; and

(5) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Indenture will provide that, in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification or other security satisfactory to it in its sole discretion against all losses, liabilities and expenses caused by taking or not taking such action. The Trustee will have no obligation to monitor compliance by the Issuer with the Indenture. The Indenture will provide that if a Default occurs and is continuing and the Trustee is informed in writing of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being so notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as the Trustee determines that withholding notice is in the interests of the Holders.

The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute a Default, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Indenture will provide that (i) if a Default occurs for a failure to deliver a required certificate in connection with another default (an "**Initial Default**"), then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled "*Certain Covenants—Reports*" or otherwise to deliver any notice or certificate pursuant to any other provision of the Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

The Indenture will provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified or secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

### Amendments and Waivers

Subject to certain exceptions, the Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes); *provided* that, if any amendment, supplement, other modification or waiver will only amend, supplement or waive one series of the Notes, only the consent of a majority in aggregate principal amount of the then outstanding Notes of such series shall be required. However, without the consent of Holders holding not less than 90% of the then outstanding principal amount of the Notes affected, an amendment or waiver may not, with respect to any Notes held by a non-consenting Holder or, if any amendment, waiver or other modification will only amend, supplement, modify or waive one series of the Notes, without the consent of Holders holding not less than 90% of the then outstanding aggregate principal amount of such series of Notes affected, with respect to any such series of Notes held by a non-consenting Holder:

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, waiver or modification;

(2) reduce the stated rate of or extend the stated time for payment of interest on any Note;

(3) reduce the principal of or extend the Stated Maturity of any Note;

(4) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed, in each case, as described under "*—Optional Redemption*";

(5) make any Note payable in money other than that stated in the Note;

(6) impair the contractual right of any Holder of any outstanding Note to bring suit for the enforcement of any such payment on or with respect to such Holder's Notes on or after the due dates therefor;

(7) make any change in the provision of the Indenture described under "*—Withholding Taxes*" that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Issuer agrees to pay Additional Amounts, if any, in respect thereof;

(8) release all or substantially all of the security interests granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement or the Indenture;

(9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on the Notes (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration);

(10) release all or substantially all of the Guarantors from their obligations under the Note Guarantees or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor Agreement; or

(11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

For the avoidance of doubt, the Indenture shall not include any provision incorporating, giving effect to, or otherwise reflecting the provisions of Section 316(b) of the Trust Indenture Act.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Notes Documents:

(1) to cure any ambiguity, omission, defect, error or inconsistency;

(2) to provide for the assumption by a successor Person of the obligations of the Issuer or any Restricted Subsidiary under any Notes Document;

(3) to add to the covenants or provide for a Note Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;

(4) to make any change that would provide additional rights or benefits to the Trustee or the Holders or that does not adversely affect the rights or benefits to the Trustee or any of the Holders in any material respect under the Notes Documents;

(5) to make such provisions as necessary (as determined in good faith by the Board of Directors or an Officer of the Issuer) for the issuance of Additional Notes;

(6) to provide for any Restricted Subsidiary to provide a Note Guarantee in accordance with the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or "*—Limitation on Additional Guarantees*," to add Note Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Note Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is provided for under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) to conform the text of the Indenture, the Security Documents or the Notes to any provision of this "*Description of the Notes*" to the extent that such provision in this "*Description of the Notes*" was intended to be a verbatim recitation of a provision of the Indenture, the Security Documents or the Notes;

(8) to evidence and provide for the acceptance and appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor trustee or security agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Notes Document;

(9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of the Holders or parties to the Senior Secured Credit Facilities Agreement, in any property which is required by the Security Documents or the Senior Secured Credit Facilities Agreement (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a Security Interest in the Collateral for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under "*—Certain Covenants—Impairment of Security Interest*" is complied with;

(10) to comply with the rules of any applicable securities depositary;

(11) make any amendment to the provisions of the Indenture relating to the transfer and legending of Notes as permitted by the Indenture, including to facilitate the issuance and administration of Notes; *provided* that (i) compliance with the Indenture as so amended would not result in Notes being transferred in violation of the Securities Act or any other applicable securities law and (ii) such amendment does not adversely affect the rights of Holders to transfer Notes in any material respect;

(12) to make any amendment of an administrative or ministerial nature to the provisions of the Indenture, the Notes or the Security Documents to facilitate a Permitted Reorganization; or

(13) as provided in "*—Certain Covenants—Additional Intercreditor Agreements*."

In formulating its decision on such matters, the Trustee shall be entitled to require and rely on such evidence as it deems necessary, including Officer's Certificates and Opinions of Counsel. The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment of any Notes Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

Notwithstanding anything to the contrary in the paragraphs above, in order to effect an amendment authorized by clauses (3) or (6) above to add a Guarantor under the Indenture, it shall only be necessary for the supplemental indenture providing for the accession of such additional Guarantor to be duly authorized and executed by (i) the Issuer, (ii) such additional Guarantor and (iii) the Trustee. Any other amendments permitted by the Indenture need only be duly authorized and executed by the Issuer and the Trustee.

**Acts by Holders**

In determining whether the Holders of the required principal amount of the Notes have concurred in any direction, waiver or consent, the Notes owned by the Issuer or by any Person directly or indirectly controlling, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding; *provided* that, for the purpose of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes which the Trustee knows are so owned shall be so disregarded.

**Defeasance**

The Issuer at any time may terminate all obligations of the Issuer and each Guarantor under the Notes and the Indenture ("**legal defeasance**") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents and the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and the Restricted Subsidiaries' obligations under the covenants described under "*—Certain Covenants*" (other than clauses (1) and (2) under "*—Merger and Consolidation—The Issuer*") and "*—Change of Control*", and the default provisions relating to such covenants described under "*—Events of Default*" above, the operation of the cross-default upon a payment default, the cross-acceleration provision, the bankruptcy provisions, the judgment default provision, the guarantee provision and the security default provision described under "*—Events of Default*" ("**covenant defeasance**").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the covenant described under "*—Merger and Consolidation—The Issuer*"), (4), (5) (with respect only to the Significant Subsidiaries), (6), (7) or (8) under "*—Events of Default*".

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "**defeasance trust**") with the Trustee (or another entity designated or appointed (as agent) by the Trustee for this purpose) money or U.S. dollar-denominated U.S. Government Obligations or a combination thereof sufficient for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, *provided* that, if requested by the Issuer, the Trustee or the Paying Agent (on its behalf) will distribute any amounts deposited with it to the Holders prior to the Stated Maturity or redemption date, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel in the United States to the effect that Holders of the relevant Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal

defeasance only, such Opinion of Counsel in the United States must be based on a ruling received by the Issuer from, or published by, the U.S. Internal Revenue Service or change in applicable U.S. federal income tax law);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;

(3) an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with; and

(4) all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

**Satisfaction and Discharge**

The Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture, or as to any other provision of the Indenture, which, pursuant to its terms, expressly survives such discharge) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes, and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Paying Agent for cancellation; or (b) all Notes not previously delivered to the Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Paying Agent in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or another entity designated or appointed (as agent) by the Trustee for this purpose), money or dollar-denominated U.S. Government Securities, or a combination thereof, as applicable in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not previously delivered to the Paying Agent for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be, *provided* that, if requested by the Issuer, the Trustee or the Paying Agent (on its behalf) may distribute any amounts deposited with it to the Holders prior to the maturity or the redemption date, as the case may be, and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel (*provided* that such counsel may not be an employee of the Issuer or its Subsidiaries) each to the effect that the conditions precedent to the satisfaction and discharge of the Indenture described in this section have been complied with; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

**No Personal Liability of Directors, Officers, Employees and Shareholders**

No director, officer, employee, incorporator or shareholder of the Issuer or any of its Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer or any Guarantor under the Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

**Concerning the Trustee and Certain Agents**

Ankura Trust Company, LLC will be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee or any Agent will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

The Indenture will set out the terms under which the Trustee may retire or be removed and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of then outstanding Notes, or may resign at any time by giving written notice to the Issuer, and that if the Trustee at any time (a) has or acquires actual knowledge of a conflict of interest while a Default is continuing that is not eliminated, or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a *bona fide* Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee. Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, Taxes or expenses Incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with the acceptance or administration of the Indenture and any other Notes Document.

See also "*Related Party Transactions—Ankura Trust Company*."

### Notices

Notices, warnings, summonses and other communications to the holders of the Notes from the Trustee shall be sent via the Relevant Clearing System (as applicable) with a copy to the Issuer. Any such notice or communication shall be deemed to be given or made when sent from the Relevant Clearing System (as applicable). The Issuer's written notifications to the holders of Notes shall be sent through the Relevant Clearing System (as applicable) with a copy to the Trustee. In addition, for so long as any of the Notes are listed on the Official List of the Exchange and if and for so long as the rules of Authority shall so require, the Issuer will notify the Authority of any notice with respect to the Notes.

### Prescription

Claims against the Issuer and the Guarantors for the payment of principal, or premium, if any, on the Notes will be prescribed 10 years after the applicable due date for payment thereof. Claims against the Issuer and the Guarantors for the payment of interest on the Notes will be prescribed six years after the applicable due date for payment of interest.

### Currency Indemnity and Calculation of Pound Sterling-Denominated Restrictions

The sole currency of account and payment for all sums payable by the Issuer is U.S. dollars. Any amount received or recovered in a currency other than U.S. dollars (whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Subsidiary or otherwise) by a Holder in respect of any sum expressed to be due to it from the Issuer will constitute a discharge of the Issuer only to the extent of the U.S. dollar amount, as the case may be, which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not possible to make that purchase on that date, on the first date on which it is possible to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under the Indenture or any Note, the Issuer will indemnify the recipient against any loss sustained by it as a result. In any event the Issuer will indemnify the recipient against the cost of making any such purchase.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any pound sterling-denominated restriction herein, the Sterling Equivalent for purposes hereof that is denominated in a currency other than pound sterling shall be calculated based on the relevant currency exchange rate in effect on the date such non-pound sterling amount is Incurred or made, as the case may be.

### Enforceability of Judgments

Since substantially all the assets of the Issuer and the Guarantors are located outside the United States, any judgment obtained in the United States against the Issuer or the Guarantors, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States. See "*Risk Factors—*

*Risks Related to the Notes, the Note Guarantees and the Collateral—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Notes Guarantees and the Collateral may adversely affect the validity and enforceability of the Notes Guarantees and the Collateral*" and "*Certain Insolvency Law Considerations*".

**Consent to Jurisdiction and Service**

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes, the Issuer and the Guarantors will in the Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

**Governing Law**

The Indenture and the Notes, and the rights and duties of the parties thereunder, shall be governed by and construed in accordance with the laws of the State of New York. The Intercreditor Agreement and the Security Documents will be governed by the law of England and Wales.

**Certain Definitions**

"**Acquired Indebtedness**" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Issuer or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"**Advanced Commission Obligations**" means any amounts owed or deemed to be owed in respect of advances of commissions given to the Issuer or any Restricted Subsidiary by insurance providers pursuant to agreements with such providers as a result of or upon the termination of such agreements.

"**Affiliate**" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Agreed Security Principles**" means the agreed security principles appended to the Senior Secured Credit Facilities Agreement, as of the Issue Date, as applied *mutatis mutandis* with respect to the Notes in good faith by the Issuer.

"**Applicable Premium**" means, the greater of:

(1) 1% of the principal amount of such Note; and

(2) as of any redemption date, the excess (to the extent positive) of:

   (a) the present value at such redemption date of (i) the redemption price of such Note at            , 2022 (such redemption price (expressed in percentage of principal amount) being set forth in the table under "—*Optional Redemption*" (excluding accrued but unpaid interest)), plus (ii) all required interest payments (at a rate equal to the rate applicable to Cash Interest) due on such Note to and including such date (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Treasury Rate at such redemption date plus 50 basis points; over

   (b) the outstanding principal amount of such Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of the Applicable Premium shall not be an obligation or duty of the Trustee, Registrar, Transfer Agent or any Paying Agent.

"**Arachas Acquisition**" means the direct or indirect acquisition of the Arachas Shares in accordance with the terms of the Archas Acquisition Agreement.

"**Arachas Acquisition Agreement**" means the share purchase agreement effecting the Arachas Acquisition dated between, among others, Ardonagh Services Limited and funds managed by MDP with regard to the acquisition of shares of Nevada Midco 5 Limited, which is the holding company of Arachas.

"**Arachas Closing Date**" means the date on which the Arachas Acquisition is completed in accordance with the terms of the Arachas Acquisition Agreement.

"**Arachas Group**" means the Arachas Target and each of its Subsidaries.

"**Arachas Shares**" means the shares in the capital of the Arachas Target to be acquired by a member of the Group in accordance with the Arachas Acquisition Agreement

"**Arachas Target**" means Arachas Topco Limited, a private limited liability company incorporated in England and Wales with registered number 10583874.

"**Asset Disposition**" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business or consistent with past practice), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business or consistent with past practice), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Restricted Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall be deemed not to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of inventory, trading stock, security equipment or other equipment or assets in the ordinary course of business or consistent with past practice;

(4) a disposition of obsolete, damaged, retired, surplus or worn out equipment or assets or equipment, facilities or other assets that are no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries and any transfer, termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes;

(5) transactions permitted under "*—Merger and Consolidation*" or a transaction that constitutes a Change of Control;

(6) an issuance, transfer or other disposition of Capital Stock (i) by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary, as part of or pursuant to an equity based, equity linked, profit sharing or performance based, incentive or compensation plan approved by the Board of Directors of the Issuer, (ii) relating to directors' qualifying shares and shares issued to individuals as required by applicable law, or (iii) in connection with a roll up of a minority shareholder's investment;

(7) an issuance, transfer or other disposition of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined by the Board of Directors or an Officer of the Issuer) of less than the greater of £22 million and 7.5% of Consolidated EBITDA;

(8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "*—Certain Covenants—Limitation on Restricted Payments*" and the making of any Permitted Payment or Permitted Investment or, for purposes of the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*", asset sales, the proceeds of which are used to make such Restricted Payments or Permitted Investments;

(9) the granting of Liens not prohibited by the covenant described above under the caption "*—Certain Covenants—Limitation on Liens*";

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements or any sale of assets received by the Issuer or a Restricted Subsidiary upon the foreclosure of a Lien granted in favor of the Issuer or any Restricted Subsidiary;

(11) the licensing, sub-licensing, lease or assignment of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business or consistent with past practice;

(12) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) sales or dispositions of receivables in connection with any Qualified Receivables Financing or any factoring transaction, any other arrangement of the type described in clause (12) of the second paragraph under "*—Certain Covenants—Limitation on Indebtedness*" or otherwise in the ordinary course of business or consistent with past practice;

(15) any issuance, sale or disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(16) any issuance, transfer or other disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom a Restricted Subsidiary was acquired, or from whom a Restricted Subsidiary acquired its business and assets, made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(17) any surrender or waiver of contract rights or the settlement, release, recovery on or surrender of contract, tort or other claims of any kind;

(18) any disposition of assets to a Person who is providing services related to such assets, the provision of which has been or is to be outsourced by the Issuer or any Restricted Subsidiary to such Person; *provided, however,* that the Board of Directors of the Issuer shall certify that in the opinion of the Board of Directors, the outsourcing transaction will be economically beneficial to the Issuer and its Restricted Subsidiaries (considered as a whole);

(19) an issuance or sale by a Restricted Subsidiary of Preferred Stock or Disqualified Capital Stock that is permitted by the covenant described above under "*—Certain Covenants—Limitation on Indebtedness*";

(20) sales, transfers or other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements; *provided* that any cash or Cash Equivalents received in such sale, transfer or disposition are applied in accordance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*";

(21) any disposition with respect to property built, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture;

(22) sales, transfers or other dispositions of up to 20% of the Capital Stock of a Subsidiary to Management Investors in connection with the hiring of Management Investors in connection with new business offerings;

(23) dispositions of non-core assets (as determined by the Company in good faith) in connection with an acquisition, provided that the value of such non-core assets does not exceed 50% of the consideration payable in connection with such acquisition and the consideration received by the Company or any Restricted Subsidiary from such disposition is not less than the fair market value of such disposition (or, if lower, the consideration paid by the Company or any Restricted Subsidiary for such non-core asset);

(24) disposition of Towergate Financial (Group) Limited and/or any of its Subsidiaries or successor entities in connection with a regulatory redress liability management exercise, provided that (i) such disposition is not made to an Affiliate of the Issuer (other than pursuant to a Permitted Investment contemplated by clause (21) of the definition thereof) and (ii) such transaction and any related transactions taken as a whole is fair from a financial point of view to the Issuer and its Restricted Subsidiaries taken as a whole, as reasonably determined by the Board of Directors.

"**Associate**" means (i) any Person engaged in a Similar Business of which the Issuer or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Issuer or any Restricted Subsidiary.

"**Bain Capital**" means funds or accounts managed or advised by Bain Capital Credit, LP or its Affiliates.

"**Bennetts**" means Bennetts Motorcycling Services Ltd.

"**Bennetts Acquisition**" means the acquisition of Bennetts in accordance with the terms of the Bennetts Acquisition Agreement.

"**Bennetts Acquisition Agreement**" means the share purchase agreement dated February 14, 2020 by and among Atlanta Investment Holdings C Limited, Atlanta Investment Holdings 2 Limited and Saga Services Limited with regards to the acquisition of shares in Bennetts.

"**Bennetts Acquisition Closing Date**" means the date on which the Bennetts Acquisition is completed in accordance with the terms of the Bennetts Acquisition Agreement.

"**Board of Directors**" means (1) with respect to the Issuer or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by the Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval). The obligations of the "Board of Directors of the Issuer" under the Indenture may be exercised by the Board of Directors of the SFA Reporting Entity, the Issuer, Holdco or any other Reporting Entity, including, in each case, its successors and assigns.

"**Bravo Acquisition**" means the direct or indirect acquisition of the Bravo Shares in accordance with the Bravo Acquisition Agreement.

"**Bravo Acquisition Agreement**" means the share purchase agreement effecting the Bravo Acquisition between, among others, Ardonagh Advisory Holdings Limited and funds managed by HPS and MDP.

"**Bravo Closing Date**" means the date on which the Bravo Acquisition is completed in accordance with the terms of the Bravo Acquisition Agreement.

"**Bravo Group**" means the Bravo Target and each of its Subsidaries.

"**Bravo Shares**" means the shares in the capital of the Bravo Target to be acquired by a member of the Group in accordance with the Bravo Acquisition Agreement

"**Bravo Target**" means Nevada 4 Midco 1 Ltd., a limited liability company incorporated in the Cayman Islands.

"**Broker Networks**" means Bravo Investment Holdings Limited and its Subsidiaries.

"**Business Day**" means each day that is not a Saturday, Sunday or other day on which banking institutions in New York City, United States or London, United Kingdom are authorized or required by law to close.

"**Capital Stock**" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"**Capitalized Lease Obligation**" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IAS 17 (*Leases*), or as the case may be and subject to (as applicable) the Election Option, as lease liabilities on the balance sheet in accordance with IFRS 16 (*Leases*). The amount of Indebtedness will be, at the time any determination is to be made, represented by such capitalized amount of such obligation at the time any determination thereof is to be made as determined on the basis of IAS 17 (*Leases*) or as the case may be and subject (as applicable) to the Election Option, IFRS 16 (*Leases*), and the stated maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"**CAR Facility**" means the senior secured delayed draw multi-currency term loan facility made available pursuant to the Senior Secured Credit Facilities Agreement.

"**Cash Equivalents**" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government, a member state of the European Union, the United Kingdom or Switzerland or, in each case, any agency or instrumentality thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender party to the Secured Credit Facilities or by any bank or trust company

  (a) whose commercial paper is rated at least "A-1" or the equivalent thereof by S&P or at least "P-1" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization); or

  (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of £250 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P or "P-2" or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named Rating Agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by any state of the United States of America, the United Kingdom, any province of Canada, any member of the European Union, Japan, Norway or Switzerland or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) Indebtedness or preferred stock issued by Persons with a rating of "BBB-" or higher from S&P or "Baa3" or higher from Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(7) bills of exchange issued in the United States, the United Kingdom, Canada, a member state of the European Union, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above; and

(9) for purposes of clause (2) of the definition of "Asset Disposition", the marketable securities portfolio owned by the Issuer and its Subsidiaries on the Issue Date.

"**Change of Control**" means the occurrence of any of the following:

(1) the Issuer becoming aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer; *provided* that for the purposes of this clause, no Change of Control shall be deemed to occur by reason of the Issuer becoming a wholly-owned Subsidiary of a Successor Parent (subject to any directors' qualifying shares or shares required by any applicable law or regulation to be held by a person other than the Issuer or another wholly-owned Subsidiary that are held by a Person other than such Successor Parent); and

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders.

"**Clearstream**" means Clearstream Banking, S.A., as currently in effect, or any successor securities clearing agency.

"**Collateral**" means any and all assets from time to time in which a security interest has been or will be granted pursuant to any Security Document to secure the obligations under the Indenture, the Notes and/or any Note Guarantee.

"**Consolidated EBITDA**" for any period means, without duplication, the Consolidated Net Income for such period, *plus* the following to the extent deducted in calculating such Consolidated Net Income:

(1) Fixed Charges of such Person for such period (including (x) net losses on any Hedging Obligations or other derivative instruments entered into for the purpose of hedging interest rate, currency or commodities risk, (y) bank fees and (z) cost of surety bonds in connection with financing activities plus amounts excluded from the definition of "Consolidated Interest Expense" pursuant to the last paragraph thereof to the extent the same were deducted (and not added back) in calculating such Consolidated Net Income;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense;

(4) consolidated amortization (excluding amortization of a prepaid cash charge or expense that was paid in a prior period) or impairment expense;

(5) any expenses, charges or other costs related to any issuance of Capital Stock, listing of Capital Stock, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business and any expenses, charges or other costs related to deferred or contingent payments), disposition, recapitalization or the Incurrence, issuance, redemption or refinancing of any Indebtedness permitted by the Indenture or any amendment, waiver, consent or modification to any document governing such Indebtedness (whether or not successful) (including any such fees, expenses or charges related to the Transactions (including any expenses in connection with related due diligence activities)), any management equity or stock option plan, any management or employee benefit plan, any stock subscription of any shareholders agreement, in each case, as determined by the Board of Directors or an Officer of the Issuer;

(6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates;

(7) the amount of board of directors, management, monitoring, consulting, advisory and exit fees and related expenses paid in such period to the board of directors of the Issuer or any Parent Entity and Permitted Holders to the extent applicable and permitted by the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*";

(8) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges expected to be paid in any future period) or other items classified by the Issuer as special, extraordinary, exceptional, unusual or non-recurring items less other non-cash items of income increasing Consolidated Net Income (other than non-cash items increasing Consolidated Net Income pursuant to clauses (1) to (14) of the definition of Consolidated Net Income and excluding any such non-cash item of income to the extent it represents a receipt of cash expected to be paid in any future period);

(9) the proceeds of any business interruption insurance attributable to such period (whether received during or after such period) to the extent the associated losses arising out of the event that resulted in the payment of such business interruption insurance proceeds were included in computing Consolidated Net Income;

(10) payments received or that become receivable with respect to expenses that are covered by the indemnification provisions in any agreement entered into by such Person in connection with an acquisition to the extent such expenses were included in computing Consolidated Net Income;

(11) any Receivables Fees and discounts on the sale of accounts receivable in connection with any Qualified Receivables Financing representing, in the Issuer's reasonable determination, the implied interest component of such discount for such period;

(12) payments made in connection with any regulatory redress liability management exercise; and

(13) all adjustments of the nature used in connection with the calculation of "Total Pro Forma Adjusted EBITDA" as set forth under the heading "*Summary—Summary Historical Financial Information and Other*

*Data—Other Consolidated Financial and Pro Forma Data*" in this Offering Memorandum and/or any adjustments contained in a quality of earnings report (reasonably prepared in good faith by a nationally or internationally recognized accounting firm in connection with any acquisition or other Investment not prohibited by the Indenture) applied in good faith and, with respect to anticipated cost savings, expense reductions and cost synergies, reasonably expected to be initiated within 24 months to the extent such adjustments continue to be applicable during the period in which EBITDA is being calculated.

For the purposes of determining "Consolidated EBITDA" *pro forma* effect shall be given to Consolidated EBITDA on the same basis as for calculating the Consolidated Net Leverage Ratio for the Issuer and its Restricted Subsidiaries.

"**Consolidated Income Taxes**" means Taxes or other payments, including deferred taxes, based on income, profits or capital of any of the Issuer and its Restricted Subsidiaries, whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

"**Consolidated Interest Expense**" means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Issuer and its Restricted Subsidiaries, whether paid or accrued, *plus* or including (without duplication) any interest, costs and charges consisting of:

(1) the interest component of Capitalized Lease Obligations;

(2) amortization of original issue discount (but not including deferred financing fees, debt issuance costs, commissions, fees and expenses);

(3) non-cash interest expense;

(4) costs associated with Hedging Obligations (excluding amortization of fees or any non-cash interest expense attributable to the movement in mark-to-market valuation of such obligations);

(5) the product of (a) all dividends or other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a Restricted Subsidiary, multiplied by (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, as estimated in good faith by a responsible accounting or financial officer of the Issuer;

(6) the consolidated interest expense that was capitalized during such period;

(7) cash interest actually paid by the Issuer or any Restricted Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person; and

(8) interest accrued on any Indebtedness of a Parent Entity that is Guaranteed by the Issuer or any Restricted Subsidiary to the extent (x) serviced directly or indirectly by the Issuer or any Restricted Subsidiary and (y) not already included in calculating Consolidated Interest Expense; *minus* (i) accretion or accrual of discounted liabilities other than Indebtedness, (ii) any expense resulting from the discounting of any Indebtedness in connection with the application of purchase accounting in connection with any acquisition, in each case, to the extent included in interest expense under IFRS, (iii) any Additional Amounts with respect to the Notes included in interest expense under IFRS or other similar tax gross up on any Indebtedness included in interest expense under IFRS. Consolidated Interest Expense shall not include any interest expenses relating to (A) Subordinated Shareholder Funding, (B) penalties and interest related to taxes, (C) amortization or write-off of deferred financing fees, debt issuance costs, debt discount or premium, terminated hedging obligations and other commissions, financing fees and expenses and (D) any expensing of bridge, commitment or other financing fees.

For purposes of this definition, interest on a lease (including any Capitalized Lease Obligation) shall be deemed to accrue at an interest rate reasonably determined by such Person to be the rate of interest implicit in such lease in accordance with IFRS.

"**Consolidated Net Income**" means, for any period, the net income (loss) of the Issuer and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided, however,* that there will not be included in such Consolidated Net Income:

(1) subject to the limitations contained in clause (2) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Issuer's equity in the net income of any such Person for such

period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment or could have been distributed, as reasonably determined by an Officer (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under "—*Certain Covenants—Limitation on Restricted Payments,"* any net income (loss) of any Restricted Subsidiary (other than a Guarantor) if such Subsidiary is subject to restrictions on the payment of dividends or the making of distributions by such Restricted Subsidiary to the Issuer by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes and the Indenture, (c) contractual restrictions in effect on the Issue Date with respect to such Restricted Subsidiary, including Arachas and its Subsidiaries and Bravo and its Subsidiaries, (including pursuant to the Senior Secured Credit Facilities Agreement or the Intercreditor Agreement), and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date, and (d) restrictions permitted under the second paragraph of the covenant described under "—*Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*," except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than a Guarantor), to the limitation contained in this clause);

(3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiaries (including pursuant to any sale and leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business;

(4) any extraordinary, one-off, non-recurring, exceptional or unusual gain, loss, expense or charge, including any charges or reserves in respect of any loss corridors, restructuring, redundancy, relocation, refinancing, integration or severance or other post-employment arrangements (including amounts payable under New Employee Transfer Costs), signing, retention or completion bonuses, transaction costs (including costs related to the Transactions or any investments), acquisition costs, business optimization, start up (including entry into new markets/channels and new product offerings), ramp up, system establishment, software or information technology implementation or development costs, costs related to or resulting from the rationalization, re-branding, start-up, reduction or elimination or closure of product lines, assets or businesses, the consolidation, relocation or closure of retail, administrative or production locations or other business locations, costs related to or resulting from governmental or regulatory investigations and curtailments or modifications to pension or post-retirement benefits schemes, litigation or any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events);

(5) the cumulative effect of a change or harmonization in accounting principles or (at the election of the Issuer) any part of any expenditure or other negative item (and/or otherwise the impact thereof) directly or indirectly relating to or resulting from the impact from purchase price accounting and/or the implementation of IFRS 15 (*Revenue from Contracts with Customers*) or any successor standard thereof;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions, any non-cash net after tax gains or losses attributable to the termination or modification of any employee pension benefit plan and any charge or expense relating to any payment made to holders of equity-based securities or rights in respect of any dividend sharing provisions of such securities or rights to the extent such payment was made pursuant to the covenant described under "—*Certain Covenants—Limitation on Restricted Payments*";

(7) all deferred financing costs written off and premiums paid or other expenses Incurred directly in connection with any early extinguishment of Indebtedness or Hedging Obligations and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of Hedging Obligations or other financial instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes

therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness or other obligations of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses resulting from remeasuring assets and liabilities denominated in foreign currencies;

(10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary;

(11) any one-time non-cash charges or any amortization or depreciation, in each case to the extent related to the Transactions or any acquisition of another Person or business or resulting from any reorganization or restructuring involving the Issuer or its Subsidiaries;

(12) any goodwill or other intangible asset amortization charge, impairment charge or write-off or write-down;

(13) consolidated depreciation and amortization expense to the extent in excess of net capital expenditures for such period, and Consolidated Income Taxes to the extent in excess of cash payments made in respect of such Consolidated Income Taxes; and

(14) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

"**Consolidated Net Leverage**" means the sum of the aggregate outstanding Indebtedness of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations entered into for *bona fide* hedging purposes and not for speculative purposes (as determined in good faith by the Issuer)) *less* cash and Cash Equivalents of the Issuer and its Restricted Subsidiaries in excess of cash held in Trust Accounts, as of the relevant date of calculation on a consolidated basis on the basis of IFRS. In determining the Consolidated Net Leverage Ratio, no cash or Cash Equivalents shall be included in the calculation of Consolidated Net Leverage to the extent that such cash or Cash Equivalents are the proceeds of Indebtedness Incurred on the date of determination in respect of which the calculation of the Consolidated Net Leverage Ratio is to be made.

"**Consolidated Net Leverage Ratio**" means, as of any date of determination, the ratio of (x) Consolidated Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer or the SFA Reporting Entity are available. In the event that the Issuer or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness subsequent to the commencement of the period for which the Consolidated Net Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Net Leverage Ratio is made (the "**Calculation Date**"), then the Consolidated Net Leverage Ratio will be calculated giving *pro forma* effect (as determined by a responsible accounting or financial officer of the Issuer), including in respect of anticipated cost savings, expense reductions and cost synergies reasonably expected to be initiated within 24 months, to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable reference period; *provided, however*, that the *pro forma* calculation shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Limitation on Indebtedness*" (other than with respect to any Indebtedness that is Incurred under the Consolidated Net Leverage Ratio pursuant to clause (5) of the second paragraph under "*—Certain Covenants—Limitation on Indebtedness*") or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Limitation on Indebtedness*".

In addition, for purposes of calculating the Consolidated Net Leverage Ratio:

(1) acquisitions or Investments (each, a "**Purchase**") that have been made by the Issuer or any of its Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Restricted Subsidiaries acquired by the Issuer or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given pro forma effect (as determined in good faith by a responsible accounting or financial officer of the Issuer), including in respect

of anticipated cost savings, expense reductions and cost synergies reasonably expected to be initiated within 24 months, as if they had occurred on the first day of the four-quarter reference period; *provided* that, if definitive documentation has been entered into with respect to a Purchase that is part of the transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving pro forma effect to such Purchase (including anticipated cost savings, expense reductions and cost synergies reasonably expected to be initiated within 24 months) as if such Purchase had occurred on the first day of such period, even if the Purchase has not yet been consummated as of the date of determination;

(2) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period (taking into account anticipated cost savings resulting from any such disposal, as determined by a responsible accounting or financial officer of the Issuer);

(3) the Consolidated Interest Expense attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a pro forma basis as if such disposition occurred on the first day of such period, but only to the extent that the obligations giving rise to such Consolidated Interest Expense will not be obligations of the Issuer or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such reference period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such reference period;

(6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness), and if any Indebtedness is not denominated in the Issuer's functional currency, that Indebtedness for purposes of the calculation of Consolidated Net Leverage shall be treated in accordance with IFRS; and

(7) the full run-rate effect of cost savings, expense reductions and cost synergies (as determined in good faith by an Officer of the Issuer responsible for accounting or financial reporting) reasonably expected to be initiated within 24 months shall be included as though such cost savings, expense reductions and cost synergies had been achieved on the first day of the relevant period, net of the amount of actual benefits realized during such period from such actions, *provided* that such cost savings, expense reductions and cost synergies (A) are reasonably identifiable and factually supportable and (B) are not duplicative of any cost savings, expense reductions and cost synergies already included for such period,

*provided* that at any time the aggregate amount of cost savings, expense reductions and cost synergies calculated pursuant to clauses (1) and (7) of this definition shall not exceed 20% of Consolidated EBITDA for the applicable four-quarter period (but, for the avoidance of doubt, calculated after giving effect to other uncapped *pro forma* adjustments).

"**Consolidated Secured Net Leverage**" means the sum of the aggregate outstanding Secured Indebtedness of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations entered into for *bona fide* hedging purposes and not for speculative purposes (as determined in good faith by an Officer or the Board of Directors of the Issuer)) *less* cash and Cash Equivalents of the Issuer and its Restricted Subsidiaries in excess of cash held in Trust Accounts, as of the relevant date of calculation on a consolidated basis on the basis of IFRS. In determining the Consolidated Secured Net Leverage Ratio, no cash or Cash Equivalents shall be included in the calculation of Consolidated Secured Net Leverage to the extent that such cash or Cash Equivalents are the proceeds of Indebtedness Incurred on the date of determination in respect of which the calculation of the Consolidated Senior Net Leverage Ratio is to be made.

"**Consolidated Secured Net Leverage Ratio**" means, as of any date of determination, the ratio of (x) the Consolidated Secured Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer or the SFA Reporting Entity are available, in each case calculated with such *pro forma* and other adjustments as are consistent with the *pro forma* provisions set forth in the definition of Consolidated Net Leverage Ratio; *provided, however*, that the *pro forma* calculation shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Limitation on Indebtedness*" (other than with respect to any Secured Indebtedness that is Incurred pursuant to clauses (1)(b) or (5) of the second paragraph under "*—Certain Covenants—Limitation on Indebtedness*") or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Limitation on Indebtedness*".

"**Contingent Obligations**" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease (subject, as applicable, to the Election Option), dividend or other obligation that does not constitute Indebtedness ("**primary obligations**") of any other Person (the "**primary obligor**"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds: (a) for the purchase or payment of any such primary obligation; or (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"**Credit Facility**" means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, arrangements, instruments or indentures (including the Secured Credit Facilities or any other commercial paper facilities and overdraft facilities) with banks, institutions or investors providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the original Credit Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Note Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"**Currency Agreement**" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"**Default**" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"**Derivative Instrument**" with respect to a Person, means any contract, instrument or other right to receive payment or delivery of cash or other assets to which such Person or any Affiliate of such Person that is acting in concert with such Person in connection with such Person's investment in the Notes (other than a Screened Affiliate) is a party (whether or not requiring further performance by such Person), the value and/or cash flows of which (or any material portion thereof) are materially affected by the value and/or performance of the Notes and/or the creditworthiness of the Issuer and/or any one or more of the Guarantors (the "**Performance References**").

"**Designated Non-Cash Consideration**" means the fair market value (as determined by the Board of Directors or an Officer of the Issuer) of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*".

"**Designated Preference Shares**" means, with respect to the Issuer or any Parent Entity, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*".

"**Disqualified Stock**" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, in each case on or prior to the date that is 90 days after the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Disposition will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described under the caption "*—Certain Covenants—Restricted Payments*". For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock, such fair market value to be determined as set forth herein. Only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock.

"**DTC**" means The Depository Trust Company, as currently in effect, or any successor securities clearing agency.

"**Equity Offering**" means (x) a sale of Capital Stock of the Issuer (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions), or (y) the sale of Capital Stock or other securities by any Person, the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through Excluded Contributions) of the Issuer or any of its Restricted Subsidiaries.

"**Escrowed Proceeds**" means the proceeds from the offering of any debt securities or other Indebtedness paid into escrow accounts with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow accounts upon satisfaction of certain conditions or the occurrence of certain events. The term "Escrowed Proceeds" shall include any interest earned on the amounts held in escrow.

"**Euroclear**" means Euroclear Bank SA/NV, as currently in effect, or any successor securities clearing agency.

"**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"**Excluded Contribution**" means Net Cash Proceeds or property or assets received by the Issuer or a Restricted Subsidiary as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer or any Restricted Subsidiary after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of the Issuer or any Restricted Subsidiary, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer.

"**fair market value**" wherever such term is used in this "*Description of the Notes*" or the Indenture (except in relation to an enforcement action pursuant to the Intercreditor Agreement and except as otherwise specifically provided in this "*Description of the Notes*" or the Indenture), may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors setting out such fair market value as determined in good faith by such Officer or such Board of Directors of the Issuer.

"**FCA**" means the UK Financial Conduct Authority empowered under the Financial Services and Markets Act 2000 or any successor authority or authorities to any or all of its regulatory functions in the UK from time to time.

"**Fitch**" means Fitch Ratings, Ltd, and its successors.

"**Fixed Charge Coverage Ratio**" means, as of any date of determination, the ratio of (x) the aggregate amount of Consolidated EBITDA of the Issuer for the period of the four most recent fiscal quarters prior to the date of such determination for which internal consolidated financial statements of the Issuer or the SFA Reporting Entity are available to (y) the Fixed Charges of the Issuer for such four fiscal quarters.

In the event that the specified Person or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases, retires, extinguishes or otherwise discharges any Indebtedness (other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) or issues, repurchases or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "**Calculation Date**"), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person), including in respect of anticipated cost savings, expense reductions and cost synergies reasonably expected to be initiated within 24 months, to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance, retirement, extinguishment or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or Preferred Stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided* that the *pro forma* calculation of Fixed Charges shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" (other than for the purposes of the calculation of the Fixed Charge Coverage Ratio under clause (5) thereunder) or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*". As determined in accordance with the Election Option (as applicable), interest on a lease (including any Capitalized Lease Obligation) shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Issuer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) a Purchase that has been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given pro forma effect (as determined in good faith by a responsible accounting or financial officer of such Person), including in respect of anticipated cost savings, expense reductions and cost synergies reasonably expected to be initiated within 24 months, as if they had occurred on the first day of the four-quarter reference period; *provided* that, if definitive documentation has been entered into with respect to a Purchase that is part of the transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect to such Purchase (including anticipated cost savings, expense reductions and cost synergies reasonably expected to be initiated within 24 months) as if such Purchase had occurred on the first day of such period, even if the Purchase has not yet been consummated as of the date of determination;

(2) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period (taking into account anticipated cost savings resulting from such disposition, as determined in good faith by a responsible accounting or financial officer of the Issuer);

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period;

(6) if any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness) and if any Indebtedness is not denominated in the Issuer's functional currency, that Indebtedness for purposes of the calculation of Consolidated Net Leverage shall be treated in accordance with IFRS;

(7) interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Issuer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS; and

(8) the full run-rate effect of cost savings, expense reductions and cost synergies (as determined in good faith by a responsible accounting or financial Officer) reasonably expected to be initiated within 24 months shall be included as though such cost savings, expense reductions and cost synergies had been achieved on the first day of the relevant period, net of the amount of actual benefits realized during such period from such actions, *provided* such cost savings, expense reductions and cost synergies (A) are reasonably identifiable and factually supportable and (B) are not duplicative of any costs savings, expense reductions or cost synergies already included for the period,

*provided* that at any time the aggregate amount of cost savings, expense reductions and cost synergies calculated pursuant to clauses (1) and (8) of this definition shall not exceed 20% of Consolidated EBITDA for the applicable four-quarter period (but, for the avoidance of doubt, calculated after giving effect to other uncapped *pro forma* adjustments).

"**Fixed Charges**" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the Consolidated Interest Expense of such Person for such period; *plus*

(2) all dividends, whether paid or accrued and whether or not in cash, on or in respect of all Disqualified Stock of the Issuer or any series of Preferred Stock of any Restricted Subsidiary, other than dividends on equity interests payable to the Issuer or a Restricted Subsidiary.

"**Guarantee**" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided* that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"**Guarantors**" means any Restricted Subsidiary that provides a Note Guarantee in accordance with the provisions of the Indenture, and its successors and assigns, in each case until the Note Guarantee of such person has been released in accordance with the Indenture.

"**Hedging Obligations**" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement or Currency Agreement.

"**Holder**" means a Person in whose name a note is registered on the Registrar's books.

"**Holding Company**" means, in relation to any Person, any other Person in respect of which it is a Subsidiary.

"**HPS**" means any funds and/or accounts managed and/or advised and/or controlled by HPS Investment Partners LLC or a subsidiary thereof and/or any Affiliates and/or Related Funds of any such entities.

"**IFRS**" means International Financial Reporting Standards (formerly International Accounting Standards) endorsed by the European Union or, at the election of the Issuer, any variation thereof with which the Issuer or any of the Restricted Subsidiaries are, or may be, required to comply, as in effect from time to time; *provided* that with respect to all ratios and calculations based on IFRS contained in the Indenture at any time after the Issue Date, the Issuer may elect to establish that IFRS shall mean IFRS as in effect on or prior to the date of such election; *provided* that any such election, once made, shall be irrevocable; *provided further* that that at any time after the Issue Date, the Issuer may elect to apply U.K. GAAP for the purposes of this "*Description of the Notes*" and from and after such election references herein to IFRS shall be deemed to be references to U.K. GAAP and all defined terms in this "*Description of the Notes*", and all ratios and computations based on IFRS shall be computed in conformity with U.K. GAAP, from and after such election.

Notwithstanding any of the foregoing, or any other provision to the contrary in the Indenture or a Notes Document, (i) in relation to the making of any determination or calculation under the Indenture or a Notes Document, the Issuer (or other applicable Restricted Subsidiary or Reporting Entity) may elect (the "**Election Option**"), from time to time and each time, either (A) to apply IFRS 16 (*Leases*) or (B) to apply IAS 17 (*Leases*) to the making of such determination or calculation and (ii) any adverse impact directly or indirectly relating to or resulting from the implementation of IFRS 15 (*Revenue from Contracts with Customers*) and, in each case, any successor standard thereto shall be disregarded with respect to all ratios, calculations and determinations based upon IFRS to be calculated or made, as the case may be, pursuant to the Indenture.

"**Incur**" means issue, create, assume, enter into any Note Guarantee of, incur or otherwise become liable for; *provided* that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder.

"**Indebtedness**" means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent such reimbursement obligations relate to trade payables or other obligations not constituting Indebtedness and such obligations are satisfied within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property or assets (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than two years after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined by the Board of Directors or an Officer of the Issuer) and (b) the amount of such Indebtedness of such other Persons;

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person;

(9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term "Indebtedness" shall not include (i) Subordinated Shareholder Funding, (ii) any lease, concession or license of property (or Guarantee thereof) which would, in accordance with the Election Option, be considered an operating lease or which would not be classified under clause (5) above, (iii) prepayments of deposits received from clients or customers in the ordinary course of business or consistent with past practice, (iv) any asset retirement obligations, (v) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date by the Issuer and its Restricted Subsidiaries, or in the ordinary course of business or consistent with past practice or (vi) Advanced Commission Obligations. For the purposes of Incurring Indebtedness under the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*", any lease, concession or license of property (or Guarantee thereof) that is Incurred in the ordinary course of business or consistent with past practice would not be classified under clause (5) above.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7), (8) or (9)) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS; *provided* that Indebtedness of any Parent Entity appearing upon the balance sheet of the Issuer prepared on the basis of IFRS shall be excluded (other than (without double-counting) in respect of any Subordinated Indebtedness on which the Issuer or a Restricted Subsidiary is making regularly scheduled interest payments in reliance on clause (19) of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*"). Indebtedness represented by loans, notes or other debt instruments shall not be included to the extent funded with the proceeds of Indebtedness which the Issuer or any Restricted Subsidiary has guaranteed or for which any of them is otherwise liable and which is otherwise included.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(1) Contingent Obligations Incurred in the ordinary course of business, obligations under or in respect of Qualified Receivables Financings, obligations under or in respect of receivables financings in respect of customer insurance premiums in the ordinary course of business and accrued liabilities Incurred in the ordinary course of business that are not more than 90 days past due;

(2) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter;

(3) any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage taxes or under any Tax Sharing Agreement; and

(4) any accrued expenses and trade payables.

"**Indenture**" means the indenture to be entered into among, *inter alios*, the Issuer, Holdco and the Trustee on the Issue Date, as amended or supplemented from time to time.

"**Independent Financial Advisor**" means an investment banking or accounting firm of international standing or any third-party appraiser of international standing; *provided* that such firm or appraiser is not an Affiliate of the Issuer.

"**Initial Investors**" means (1) any of HPS, MDP, KKR or Bain Capital; and (2) any other entity that, directly or indirectly, held more than 10% of the Capital Stock of the Issuer on the Issue Date, including any Capital Stock of the Issuer which such entity has an option or right to acquire and does so acquire within 120 days of the Issue Date, and/or their Affiliates and any funds, accounts or limited partnerships managed or advised by any of such Persons, but excluding, in the case of both (1) and (2), any controlled portfolio company of such Persons.

"**Initial Public Offering**" means an Equity Offering of common stock or other common equity interests of the Issuer or any Parent Entity or any successor of the Issuer or any Parent Entity (the "**IPO Entity**") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

“**Incremental Facilities**” means incremental facilities made available under the Senior Secured Credit Facilities Agreement.

“**Intercreditor Agreement**” means the Intercreditor Agreement dated on or prior to the Issue Date among the Issuer, Holdco, the Original Guarantor and the other parties thereto, to which the Security Agent and the Trustee will enter into or accede to (as applicable) on the Issue Date, as amended or restated from time to time.

“**Interest Rate Agreement**” means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

“**Investment**” means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business or debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; *provided* that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described under the caption “*—Certain Covenants—Limitation on Restricted Payments*”.

For purposes of “*—Certain Covenants—Limitation on Restricted Payments*”:

(1) “Investment” will include the portion (proportionate to the Issuer’s equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined by the Board of Directors or an Officer of the Issuer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer’s option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

“**Investment Grade Securities**” means:

(1) securities issued or directly and fully Guaranteed or insured by the United States, the United Kingdom or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by a member of the European Union, the United Kingdom, Norway or Switzerland or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of “BBB-” or higher from S&P or “Baa3” or higher by Moody’s or the equivalent of such rating by such rating organization or, if no rating of Moody’s or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries;

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution; and

(5) any investment in repurchase obligations with respect to any securities of the type described in clauses (1), (2) and (3) above which are collateralized at par or over.

“**Investment Grade Status**” shall occur when all of the Notes receive the following from two of the three Rating Agencies:

(1) a rating of “BBB-” or higher from S&P; and/or

(2) a rating of "Baa3" or higher from Moody's; and/or

(3) a rating of "BBB-" or higher from Fitch,

or, in each case, the equivalent of such rating by any such rating organization or, in each case, if no rating of Moody's, S&P or Fitch's then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

"**IPO Market Capitalization**" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"**Issue Date**" means , 2020.

"**KKR**" means funds or accounts managed or advised by KKR Credit Advisors (US) LLC or its Affiliates.

"**Lien**" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"**Limited Condition Transaction**" means (1) any Investment or acquisition (whether by merger, amalgamation, consolidation or other business combination or the acquisition of Capital Stock or otherwise and which may include, for the avoidance of doubt, a transaction that may constitute a Change of Control), whose consummation is not conditioned on the availability of, or on obtaining, third party financing, (2) any redemption, repurchase, defeasance, satisfaction and discharge or repayment of Indebtedness, Disqualified Stock or Preferred Stock requiring irrevocable notice in advance of such redemption, repurchase, defeasance, satisfaction and discharge or repayment, (3) any Restricted Payment requiring irrevocable notice in advance thereof or (4) any Asset Sale or a disposition excluded from the definition of "Asset Sale".

"**Liquidity Event**" means (i) any sale of Capital Stock resulting in a change of control, (ii) the sale of all or substantially all of the business or assets of such Restricted Subsidiary or any Subsidiary thereof, (iii) a liquidation or winding up or (iv) an initial public offering of the Capital Stock thereof or (iv) any other exit event specified in the articles of association of the relevant Restricted Subsidiary.

"**Long Derivative Instrument**" means a Derivative Instrument (i) the value of which generally increases, and/or the payment or delivery obligations under which generally decrease, with positive changes to the Performance References and/or (ii) the value of which generally decreases, and/or the payment or delivery obligations under which generally increase, with negative changes to the Performance References.

"**Management Advances**" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent Entity, the Issuer or any Restricted Subsidiary:

(1) (a) in respect of travel, entertainment or moving-related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such person's purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Issuer, its Subsidiaries or any Parent Entity with (in the case of this sub-clause (b)) the approval of the Board of Directors;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) (in the case of this clause (3)) not exceeding the greater of £5 million and 2.5% of Consolidated EBITDA in the aggregate outstanding at any time.

"**Management Equity Repurchase**" means the repurchase of Capital Stock of Management Investors in Restricted Subsidiaries pursuant to terms and conditions approved by the Board of Directors of the Issuer.

"**Management Investors**" means (i) prior, current or future directors, officers, employees or consultants (and any Related Person pursuant to paragraph (2) of the definition thereof) of any Parent Entity, the Issuer or any Restricted Subsidiary investing, or committing to invest, directly or indirectly, in any Parent Entity, the Issuer or any Restricted Subsidiary as at the Issue Date or from time to time and (ii) such entity or trust as may hold shares transferred by departing directors, officers, employees or consultants (and any Related Person pursuant to paragraph (3) of the definition thereof) of any Parent Entity, the Issuer or any Restricted Subsidiary.

"**Market Capitalization**" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"**MDP**" means Tango Investments, LLC, Madison Dearborn Partners, LLC and/or any funds and/or accounts managed and/or advised by Madison Dearborn Partners, LLC or its Affiliates and/or Related Funds of any such entities.

"**Moody's**" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"**Nationally Recognized Statistical Rating Organization**" means a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) under the Exchange Act.

"**Net Available Cash**" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition;

(2) other than for purposes of the covenant described under "*—Limitation on Sales of Assets and Subsidiary Stock*", all payments made on any Indebtedness which (a) is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or (b) which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent Entity, the Issuer or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition, including pension and other postemployment benefits liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such transaction.

"**Net Cash Proceeds**" with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of Taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any Tax Sharing Agreements).

"**Net Short**" means, with respect to a Holder or beneficial owner, as of a date of determination, either (i) the value of its Short Derivative Instruments exceeds the sum of the (x) the value of its Notes plus (y) the value of its Long Derivative Instruments as of such date of determination or (ii) it is reasonably expected that such would have been the case were a Failure to Pay or Bankruptcy Credit Event (each as defined in the 2014 ISDA Credit Derivatives Definitions) to have occurred with respect to the Issuer or any Guarantor immediately prior to such date of determination.

"**New Employee Transfer Costs**" means any recruitment costs payable in connection with the intended transfer of employees of any Person to the Issuer or any Restricted Subsidiary in order to acquire all or part of the business or customers of such Person in lieu of acquiring the Capital Stock of such Person.

"**New Revolving Credit Facility**" means the super senior revolving credit facility made available pursuant to the Senior Secured Credit Facilities Agreement.

"**Note Guarantee**" means the guarantee by each Guarantor of the Issuer's obligations under the Indenture and the Notes, executed pursuant to the provisions of the Indenture.

"**Notes**" means the Initial Notes and any Additional Notes (including any PIK Notes).

"**Notes Documents**" means the Notes (including Additional Notes and any PIK Notes), the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements.

"**Offering Memorandum**" means the offering memorandum dated , 2020 relating to the sale of the Notes offered hereby or any offering memorandum relating to a subsequent issuance of Notes.

"**Officer**" means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors of such Person. The obligations of an "Officer of the Issuer" may be exercised by an Officer of the Issuer, the SFA Reporting Entity, Holdco or any other Reporting Entity, including its successors and assigns.

"**Officer's Certificate**" means, with respect to any Person, a certificate signed by one Officer of such Person.

"**Opinion of Counsel**" means a written opinion from legal counsel reasonably satisfactory to the Trustee (which opinion of counsel may be subject to customary assumptions and qualifications). The counsel may be an employee of, or counsel to, the Issuer or its Subsidiaries.

"**Parent Entity**" means any Person of which the Issuer at any time is or becomes a direct or indirect Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent Entity.

"**Parent Expenses**" means:

(1) costs (including all professional fees and expenses) Incurred by any Parent Entity in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent Entity owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person;

(3) obligations of any Parent Entity in respect of director and officer insurance (including premiums therefor);

(4) fees and expenses payable by any Parent Entity in connection with the Transactions;

(5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent Entity related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries, (b) costs and expenses with respect to the ownership, directly or indirectly, by any Parent Entity, (c) costs and expenses with respect to the maintenance of any equity incentive or compensation plan, (d) any Taxes and other fees and expenses required to maintain such Parent Entity's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Parent Entity and (e) to reimburse reasonable out-of-pocket expenses of the Board of Directors of such Parent Entity;

(6) to service any Hedging Obligations of a Parent Entity relating to Subordinated Indebtedness permitted to be Incurred under the Indenture;

(7) other fees, expenses and costs relating directly or indirectly to activities of the Issuer and its Subsidiaries or any Parent Entity or any other Person established for purposes of or in connection with the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Issuer, in an amount not to exceed the greater of £22 million and 7.5% of Consolidated EBITDA in any fiscal year;

(8) any income taxes, to the extent such income taxes are attributable to the income of the Issuer and its Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries; *provided, however,* that the amount of such payments in any fiscal year do not exceed the amount that the Issuer and its Subsidiaries would be required to pay in respect of such taxes on a consolidated basis on behalf of an affiliated group consisting only of the Issuer and its Subsidiaries;

(9) expenses Incurred by any Parent Entity in connection with any public offering or other sale of Capital Stock or Indebtedness; (a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary; (b) in a prorated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or (c) otherwise on an interim basis prior to completion of such offering so long as any Parent Entity shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed;

(10) amounts to finance Investments that would otherwise be permitted to be made pursuant to the covenant described above under "*—Certain Covenants—Limitation on Restricted Payments*" if made by the Issuer or a Restricted Subsidiary; *provided* that (A) such Restricted Payment shall be made substantially concurrently with the closing of such Investment, (B) such direct or indirect parent company shall, immediately following the closing thereof, cause (1) all property acquired (whether assets or Capital Stock) to be contributed to the capital of the Issuer or one of the Restricted Subsidiaries or (2) the merger, consolidation or amalgamation of the Person formed or acquired into the Issuer or one of the Restricted Subsidiaries in order to consummate such Investment, (C) such direct or indirect parent company and its Affiliates (other than the Issuer or a Restricted Subsidiary) receives no consideration or other payment in connection with such transaction except to the extent the Issuer or a Restricted Subsidiary could have given such consideration or made such payment in compliance with the Indenture and such consideration or other payment is included as a Restricted Payment under the Indenture, (D) any property received by the Issuer shall not increase amounts available for Restricted Payments pursuant to clause (c) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*" or be an Excluded Contribution and (E) such Investment shall be deemed to be made by the Issuer or such Restricted Subsidiary pursuant to a provision of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*" or pursuant to the definition of "Permitted Investments"; and

(11) costs and expenses equivalent to those set out in clauses (1) to (10) above with respect to a Special Purpose Vehicle.

"**Pari Passu Indebtedness**" means Indebtedness (a) of the Issuer which ranks equally in right of payment to the Notes or (b) of any Guarantor which ranks equally in right of payment to the Note Guarantee of such Guarantor.

"**Paying Agent**" means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

"**Permitted Asset Swap**" means the substantially concurrent purchase and sale or exchange, including as a deposit for future purchase) of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalents between the Issuer or any of the Restricted Subsidiaries and another Person; provided that any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*".

"**Permitted Collateral Liens**" means Liens on the Collateral:

(a) that are described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (11), (12), (14), (18), (20), (23) and (24) of the definition of "Permitted Liens" and, in each case, arising by law or that would not materially interfere with the ability of the Security Agent to enforce the Security Interests in the Collateral;

(b) to secure:

   (i) Indebtedness permitted to be Incurred under clause (2) of the first paragraph of the covenant described under "—Certain Covenants—Limitation on Indebtedness" on a basis equal or junior to the Notes or the Note Guarantees;

   (ii) Indebtedness described under clause (1), (4), (5), (6), (7) (other than with respect to Capitalized Lease Obligations), (11), (12), (14) or (15) of the second paragraph under "—Certain Covenants—Limitation on Indebtedness";

(iii) Indebtedness described under clause (2) of second paragraph under "—Certain Covenants—Limitation on Indebtedness", to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens;

(iv) Subordinated Indebtedness on a basis junior to the Notes or the Note Guarantees; and

(v) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (i) to (iv);

*provided* that each of the secured parties to any such Indebtedness in an amount exceeding the greater of £20 million and 7.5% of Consolidated EBITDA described under clause (b) above (acting directly or through its respective Representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement.

For purposes of determining compliance with this definition, in the event that a Lien meets the criteria of more than one of the categories of Permitted Collateral Liens described in clause (a) and (b) above, the Issuer will be permitted to classify such Lien on the date of its Incurrence and reclassify such Lien at any time and in any manner that complies with this definition.

Permitted Collateral Liens securing Senior Indebtedness or Secured Indebtedness over Collateral pledged in favor of holders of the Notes on a first-priority basis (after giving effect to any applicable intercreditor arrangements) shall rank equal or junior to Liens securing the Notes or Note Guarantees, except that lenders under any Credit Facilities may provide for any ordering of payments under the various tranches of such Credit Facilities. Permitted Collateral Liens securing Senior Indebtedness or Secured Indebtedness over Collateral pledged in favor of holders of the Notes on a second-priority basis (after giving effect to any applicable intercreditor arrangements) may rank senior to, while Permitted Collateral Liens securing other Indebtedness shall rank equal or junior to, Liens securing the Notes or the Note Guarantees (or junior to Liens securing the Notes and the Note Guarantees, if the Lien secures Subordinated Indebtedness of the Issuer or the relevant Guarantor), except that lenders under any Credit Facilities may provide for any ordering of payments under the various tranches of such Credit Facilities. Permitted Collateral Liens described under sub-clauses (b)(i) and (b)(ii) securing Subordinated Indebtedness shall rank junior to Liens securing the Notes or Note Guarantees, except that lenders under any Credit Facilities may provide for any ordering of payments under the various tranches of such Credit Facilities.

"**Permitted Holders**" means, collectively, (1) the Initial Investors, (2) the Management Investors, (3) any Related Person of any Persons specified in clauses (1) and (2), (4) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent Entity or the Issuer, acting in such capacity and (5) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing or any Persons mentioned in the following sentence are members; *provided* that, in the case of such group and without giving effect to the existence of such group or any other group, the Initial Investors and Management Investors and such Persons referred to in the following sentence, collectively, have beneficial ownership of more than 50% of the total voting power of the Voting Stock of the Issuer or any of its direct or indirect parent companies owned by such group. Any person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture.

"**Permitted Investment**" means (in each case, by the Issuer or any of its Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer or (b) a Person (including the Capital Stock of any such Person) and such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all of its assets to, the Issuer or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business and Investments in connection with any Qualified Receivables Financing;

(5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) Management Advances;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement, including upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with "—Certain *Covenants—Limitation on Sales of Assets and Subsidiary Stock*";

(9) Investments by the Issuer and its Restricted Subsidiaries (including Nevada and its Restricted Subsidiaries) in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date, and any extension, modification or renewal of any such Investment; *provided* that the amount of the Investment may be increased (a) as required by the terms of the Investment as in existence on the Issue Date or (b) as otherwise permitted under the Indenture;

(10) Currency Agreements and Interest Rate Agreements or other hedging obligations;

(11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of £95 million and 33% of Consolidated EBITDA; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause;

(12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or consistent with past practice or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "*—Certain Covenants—*Limitation *on Liens*";

(13) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent Entity as consideration;

(14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*" (except those described in clauses (1), (3), (6), (8), (9) and (12) of that paragraph);

(15) Guarantees not prohibited by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business or consistent with past practice;

(16) Investments in loans under the Secured Credit Facilities, in the Notes and any Additional Notes or in any other Indebtedness of the Issuer and its Restricted Subsidiaries;

(17) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any of its Restricted Subsidiaries of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption "*—Merger and Consolidation*" to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(18) Investments of cash held on behalf of merchants or other business counterparties in the ordinary course of business or consistent with past practice in bank deposits, time deposit accounts, certificates of deposit, bankers' acceptances, money market deposits, money market deposit accounts, bills of exchange, commercial paper, governmental obligations, investment funds, money market funds or other securities;

(19) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property, in each case, in the ordinary course of business or consistent with past practice and in accordance with the Indenture;

(20) Investments in prepaid expenses, negotiable instruments held for collection and lease, utility, workers' compensation, performance and other similar deposits, in each case, in the ordinary course of business or consistent with past practice;

(21) the contribution of the Capital Stock of Towergate Financial (Group) Limited and/or any of its Subsidiaries or successor entities and cash and Cash Equivalents to an Unrestricted Subsidiary in connection with a regulatory redress liability management exercise, provided that such transaction and any related transactions taken as a whole is fair from a financial point of view to the Issuer and its Restricted Subsidiaries taken as a whole, as reasonably determined by the Board of Directors of the Issuer;

(22) Investments in joint ventures having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (22) that are at the time outstanding not to exceed the greater of £44 million and 15% of Consolidated EBITDA; and

(23) Investments in Unrestricted Subsidiaries having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (23) that are at the time outstanding not to exceed the greater of £44 million and 15% of Consolidated EBITDA.

"**Permitted Liens**" means, with respect to any Person:

(1) Liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing Indebtedness of any Restricted Subsidiary that is not a Guarantor permitted by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";

(2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance-related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business or consistent with past practice;

(3) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other similar Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for Taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(5) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Issuer or any Restricted Subsidiary in the ordinary course of its business or consistent with past practice;

(6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and its Restricted Subsidiaries;

(7) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Hedging Obligations not prohibited by the Indenture;

(8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business or consistent with past practice;

(9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(10) Liens on assets or property of the Issuer or any Restricted Subsidiary for the purpose of securing (a) Capitalized Lease Obligations, any operating lease or Purchase Money Obligations, or (b) the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the

acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business or consistent with past practice; *provided* that in the case of this sub-clause (b) any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(11) Liens arising by virtue of any statutory or common law provisions or customary standard terms relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(12) Liens arising from New York Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;

(13) Liens (a) existing on, or provided for or required to be granted under written agreements existing on, the Issue Date or (b) with respect to the Arachas Group or the Bravo Group existing on, or provided for or required to be granted under written agreements existing on, the Arachas Closing Date or Bravo Closing Date (as applicable) after giving pro forma effect to the Transactions;

(14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary); *provided,* that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(15) Liens on assets or property of any Restricted Subsidiary that is not a Guarantor securing Indebtedness or other obligations of such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Guarantor;

(16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture (other than Indebtedness that was previously secured pursuant to clause (29) below); *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(18) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens created or arising in connection with a Qualified Receivables Financing or such other arrangements described under clause (12) of the second paragraph of the covenant entitled "*—Limitation on Indebtedness*;"

(22) (a) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or (b) Liens on cash set aside at the time of the incurrence of any Indebtedness or government securities purchased with such cash, in either case, to the extent such cash or government securities pre-fund the payment of interest on such Indebtedness and are held in escrow accounts or similar arrangement to be applied for such purpose;

(23) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities, or liens over cash accounts and receivables securing cash pooling or cash management arrangements;

(24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business or consistent with past practice;

(25) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of an Unrestricted Subsidiary;

(26) any security granted over the marketable securities portfolio described in clause (9) of the definition of "Cash Equivalents" in connection with the disposal thereof to a third party;

(27) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;

(28) (a) Liens created for the benefit of or to secure, directly or indirectly, the Notes or the Note Guarantees, (b) Liens pursuant to the Intercreditor Agreement and the security documents entered into pursuant to the Indenture, (c) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing as among the Holders of the Notes and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement and (d) Liens securing Indebtedness incurred under clause (1) of the second paragraph of the covenant entitled "*—Limitation on Indebtedness*" to the extent the Agreed Security Principles would permit such Lien to be granted to such Indebtedness and not to the Notes;

(29) Liens provided that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (29) does not exceed the greater of £45 million and 15% of Consolidated EBITDA;

(30) Liens on receivables securing Indebtedness described under clauses (12) of the second paragraph of "*—Certain Covenants—Limitation on Indebtedness*";

(31) Liens securing Indebtedness and other obligations under local lines of credit, overdraft facilities, bilateral facilities or local working capital facilities (including, without limitation, Indebtedness Incurred pursuant to clause (15) of the second paragraph of "*—Certain Covenants—Limitation on Indebtedness*");

(32) Liens created or subsisting in order to secure any pension liabilities or partial retirement liabilities;

(33) Liens on assets deemed to arise in connection with and solely as a result of the execution, delivery or performance of contracts to sell such assets if such sale is otherwise permitted under the Indenture;

(34) Liens on cash held in Trust Accounts;

(35) Permitted Collateral Liens;

(36) Liens securing (i) any Senior Indebtedness or (ii) any Pari Passu Indebtedness of the Issuer that is Guaranteed by a Guarantor for so long as such Guarantee constitutes Senior Indebtedness; and

(37) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses (1) through (36) (other than clause (29)); *provided* that any such extension, renewal or replacement shall not extend in any material respect to any additional property or assets.

For purposes of this definition, the term "Indebtedness" shall be deemed to include interest on such Indebtedness. In the event that a Permitted Lien meets the criteria of more than one of the types of Permitted Liens (at the time of incurrence or at a later date), the Issuer in its sole discretion may divide, classify or from time to time reclassify all or any portion of such Permitted Lien in any manner that complies with the Indenture and such Permitted Lien shall be treated as having been made pursuant only to the clause or clauses of the definition of Permitted Lien to which such Permitted Lien has been classified or reclassified.

"**Permitted Reorganization**" means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, redomiciliation, winding up or corporate reconstruction involving the Issuer or any of its Restricted Subsidiaries and the assignment, transfer or assumption of intragroup receivables and payables among the Issuer and its Restricted Subsidiaries in connection therewith (a "**Reorganization**") that is made on a solvent basis; *provided* that after giving effect to such Permitted Reorganization: (a) all of the business and assets of the Issuer or such Restricted Subsidiaries remain owned by the Issuer or its Restricted Subsidiaries, (b) any payments or assets distributed in connection with such Reorganization remain within the Issuer and its Restricted Subsidiaries, (c) if any shares or other assets form part of the Collateral, substantially equivalent Liens must be granted over such shares or assets of the recipient such that they form part of the Collateral, subject to the Agreed Securities Principles and (d) no Default is continuing or would arise as result of such Reorganization.

"**Person**" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"**Preferred Stock**" as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"**Public Debt**" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"**Public Market**" means any time after:

(1) an Equity Offering has been consummated; and

(2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of £50 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

"**Public Offering**" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the Securities Act to professional market investors or similar Persons).

"**Purchase Money Obligations**" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"**Qualified Receivables Financing**" means any Receivables Financing that meets the following conditions: (1) the Board of Directors or an Officer of the Issuer shall have determined that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value (as determined by the Board of Directors or an Officer of the Issuer), (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined by the Board of Directors or an Officer of the Issuer) and may include Standard Securitization Undertakings and (4) is non-recourse to the Issuer or any Restricted Subsidiary (other than a Receivables Subsidiary) except to the extent of any Standard Securitization Undertaking.

"**Rating Agencies**" means Moody's, S&P or Fitch's, or in the event Moody's, S&P or Fitch's no longer assigns a rating to the Notes, any other "nationally recognized statistical rating organization" within the meaning of Section 3(a)(62) under the Exchange Act selected by the Issuer as a replacement agency.

"**Receivable**" means a right to receive payment arising from a sale or lease of goods or services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit.

"**Receivables Assets**" means any Receivables of the Issuer or any of its Subsidiaries, and any assets related thereto, including all collateral securing such Receivable, all contracts and all guarantees or other obligations in respect of such Receivable, proceeds collected on such Receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions and any related Hedging Obligations, in each case, whether now existing or arising in the future.

"**Receivables Fees**" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Qualified Receivables Financing.

"**Receivables Financing**" means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries pursuant to which the Issuer or any of its Subsidiaries (i) may sell, convey or otherwise transfer (which, for the avoidance of doubt, shall include any synthetic transfer) any Receivables Assets to (a) a Receivables Subsidiary (in the case of a transfer by the Issuer or any of its Subsidiaries) or (b) any other Person (in the case of a transfer by a Receivables Subsidiary) or (ii) may grant a security interest in any Receivables Assets.

"**Receivables Repurchase Obligation**" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase Receivables Assets arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"**Receivables Subsidiary**" means a Subsidiary of the Issuer or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer or any of its Subsidiaries, in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer transfers accounts receivable and related assets, which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Issuer or any other Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by the Issuer or any other Restricted Subsidiary, (iii) is recourse to or obligates the Issuer or any other Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of the Issuer or any other Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Issuer nor any Restricted Subsidiary has any contract, agreement, arrangement or understanding other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer; and

(3) to which neither the Issuer nor any Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"**refinance**" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "**refinances**", "**refinanced**" and "**refinancing**" as used for any purpose in the Indenture shall have a correlative meaning.

"**Refinancing Indebtedness**" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Issuer that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Issuer or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided* that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or, if shorter, the maturity date of the Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest, required tax gross-ups or premiums required by the instruments governing such existing Indebtedness and costs, taxes, expenses and fees Incurred in connection therewith); and

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes, such Refinancing Indebtedness is subordinated to the Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced,

*provided* that Refinancing Indebtedness shall not include (i) Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary or (ii) Indebtedness of a Restricted Subsidiary that is not a Guarantor that refinances Indebtedness of the Issuer or a Guarantor pursuant to the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" if such Indebtedness would exceed the Non-Guarantor Debt Cap.

"**Related Person**" with respect to any Permitted Holder, means:

(1) any controlling equity holder, Subsidiary or controlling partner or controlling member of such Person; or

(2) in the case of an individual, any spouse, civil partner, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, civil partner, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"**Related Taxes**" means:

(1) any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar taxes (other than (x) taxes measured by income and (y) withholding imposed on payments made by any Parent Entity), required to be paid (provided such taxes are in fact paid) by any Parent Entity by virtue of its:

   (a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any Restricted Subsidiary);

   (b) issuing or holding Subordinated Shareholder Funding;

   (c) being a Parent Entity or Holding Company, directly or indirectly, of the Issuer or any Restricted Subsidiary;

   (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any Restricted Subsidiary; or

   (e) having made or received any payment with respect to any of the items for which the Issuer is permitted to make payments to any Parent Entity pursuant to "*—Certain Covenants—Limitation on Restricted Payments*"; or

(2) if and for so long as the Issuer is a member of a group filing a consolidated or combined tax return with any Parent Entity, any Taxes measured by income for which such Parent Entity is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Issuer and its Restricted Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Issuer and its Restricted Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and its Restricted Subsidiaries.

"**Replacement Assets**" means non-current properties and assets that replace the properties and assets that were the subject of an Asset Disposition or non-current properties and assets that will be used in the Issuer's business or in that of the Restricted Subsidiaries as of the Issue Date or any and all other businesses that in the good faith judgment of the Board of Directors or any Officer of the Issuer are related thereto.

"**Representative**" means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

"**Repurchase Event**" means the repurchase by a Restricted Subsidiary of Capital Stock of Management Investors pursuant to put and call options and similar arrangements approved by the Board of Directors of the Issuer.

"**Restricted Investment**" means any Investment other than a Permitted Investment.

"**Restricted Subsidiary**" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"**S&P**" means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"**Screened Affiliate**" means any Affiliate of a Holder or, if the Holder is a Relevant Clearing System or its nominee, of a beneficial owner, (i) that makes investment decisions independently from such Holder or beneficial owner and any other Affiliate of such Holder that is not a Screened Affiliate, (ii) that has in place customary information screens between it and such Holder or beneficial owner and any other Affiliate of such Holder or beneficial owner that is not a Screened Affiliate and such screens prohibit the sharing of information with respect to the Issuer or its Subsidiaries, (iii) whose investment policies are not directed by such Holder or beneficial owner or any other Affiliate of such Holder or beneficial owner that is acting in concert with such Holder in connection with its investment in the Notes, and (iv) whose investment decisions are not influenced by the investment decisions of such Holder or beneficial owner or any other Affiliate of such Holder or beneficial owner that is acting in concert with such Holders or beneficial owners in connection with its investment in the Notes.

"**SEC**" means the U.S. Securities and Exchange Commission.

"**Secured Credit Facilities**" means the Term Facility, the New Revolving Credit Facility and the CAR Facility.

"**Secured Indebtedness**" means Indebtedness of the Issuer or any of the Restricted Subsidaries (other than Indebtedness Incurred under the Indenture or Pari Passu Indebtedness) that (x) is secured by any Lien on the collateral that secures the Secured Credit Facilities (or any instrument refinancing, restating or otherwise replacing the Secured Credit Facilities with a designation under the Intercreditor Agreement or any Additional Intercreditor Agreement corresponding to the designation of the Secured Credit Facilities on the Issue Date ("**Replacement Senior Facilities**") and (y) is not subordinated in right of payment to the Secured Credit Facilities or any Replacement Senior Facilities.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended and the rules and regulations of the SEC promulgated thereunder, as amended.

"**Security Documents**" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Indenture.

"**Senior Secured Credit Facilities Agreement**" means (1) that certain senior facilities agreement to be dated on or prior to the Issue Date by, among others, the Original Guarantor and certain Subsidiaries of the Original Guarantor as borrower and guarantors, the financial institutions and the administrative agent named therein, as administrative agent, including any related notes, mortgages, guarantees, collateral documents, instruments and agreements executed in connection therewith, and in each case, as amended, supplemented, modified, extended, replaced, renewed, restated, refunded, restructured, increased or refinanced in whole or in part from time to time, including any replacement, refunding or refinancing facility, agreement, indenture or debt facility that increases the amount borrowable or issuable thereunder or alters the maturity thereof or adds entities as additional borrowers, issuers or guarantors thereunder and whether by the same or any other agent, lender, group of lenders, or otherwise and (2) whether or not the senior facilities agreement referred to in clause (1) remains outstanding, if designated by the Issuer to be included in the definition of Senior Secured Credit Facilities Agreement, one or more additional Credit Facilities.

"**Senior Indebtedness**" means, whether outstanding on the Issue Date or thereafter Incurred, all amounts payable by, under or in respect of all other Indebtedness of the Company or any Guarantor, including premiums, required tax gross-ups and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company or such Guarantor at the rate specified in the documentation with respect thereto whether or not a claim for post filing interest is allowed in such proceeding) and fees relating thereto; provided, however, that Senior Indebtedness will not include:

(1) any Indebtedness Incurred in violation of the Indenture;

(2) any obligation of any Guarantor to the Company or any Restricted Subsidiary;

(3) any liability for taxes owed or owing by the Company or any Restricted Subsidiary;

(4) any Indebtedness, guarantee or obligation of any Guarantor that is expressly subordinated in right of payment to any other Indebtedness, guarantee or obligation of such Guarantor,

(5) Pari Passu Indebtedness, any Subordinated Shareholder Funding, Subordinated Indebtedness or any Capital Stock; or

(6) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including guarantees thereof or instruments evidencing such liabilities).

"**SFA Reporting Entity**" means the Person in respect of which financial statements or reports are provided to the agent under the Senior Secured Credit Facilities Agreement in compliance with the information undertakings thereunder.

"**Short Derivative Instrument**" means a Derivative Instrument (i) the value of which generally decreases, and/or the payment or delivery obligations under which generally increase, with positive changes to the Performance References and/or (ii) the value of which generally increases, and/or the payment or delivery obligations under which generally decrease, with negative changes to the Performance References.

"**Significant Subsidiary**" means any Restricted Subsidiary that meets any of the following conditions:

(1) the Issuer's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Issuer's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Issuer's and its Restricted Subsidiaries' proportionate share of the Consolidated EBITDA of the Restricted Subsidiary exceeds 10% of the Consolidated EBITDA of the Issuer and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

"**Similar Business**" means (a) any businesses, services or activities engaged in by the Issuer or any of its Restricted Subsidiaries or any Associates on the Issue Date and (b) any businesses, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"**Special Purpose Vehicle**" means an entity (including any trust) established by any Parent Entity for the purpose of maintaining an equity incentive or compensation plan for Management Investors.

"**Standard Securitization Undertakings**" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined to be customary in a Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"**Stated Maturity**" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations, including those described in "*—Change of Control*" and the covenant under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"**Sterling Equivalent**" means with respect to any monetary amount in a currency other than pounds sterling, at any time of determination thereof, the amount of pounds sterling obtained by converting such foreign currency involved in such computation into pounds sterling at the average of the spot rates for the purchase and sale of pounds sterling with the applicable foreign currency as quoted on or recorded in any recognized source of foreign exchange rates at least two Business Days (but not more than five Business Days) prior to such determination.

"**Subordinated Indebtedness**" means, with respect to any Person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes or any Note Guarantee pursuant to a written agreement.

"**Subordinated Shareholder Funding**" means, collectively, any funds provided to the Issuer or a Guarantor by any Parent Entity, any Affiliate of any Parent Entity or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided, however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to six months after the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or such Guarantor or any funding meeting the requirements of this definition) or the making of any such payment prior to six months after the Stated Maturity of the Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

(2) does not require, prior to six months after the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the six-month anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to six months after the Stated Maturity of the Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to six months after the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries; and

(5) pursuant to its terms or to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the "Subordinated Liabilities" (as defined therein).

"**Subsidiary**" means, with respect to any Person:

(1) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which: (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise; and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"**Successor Parent**" with respect to any Person means any other Person 50% of the total voting power of the Voting Stock (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another wholly-owned Subsidiary) of which is, at the time the first Person becomes a Subsidiary of such other Person, "beneficially owned" (as defined below) by one or more Persons that "beneficially owned" (as defined below) 50% of the total voting power of the Voting Stock (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another wholly-owned Subsidiary) of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "beneficially own" has the meaning correlative to the term "beneficial owner," as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date).

"**Tax Sharing Agreement**" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms or consistent with past practice entered into with any Parent Entity or

Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture.

"**Taxe**s" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings (including interest and penalties with respect thereto) that are imposed by any government or other taxing authority.

"**Temporary Cash Investments**" means any of the following:

(1) any investment in: (a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) any European Union member state, (iii) Japan, Switzerland or Norway, (iv) the United Kingdom, (v) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (vi) any agency or instrumentality of any such country or member state; or (b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P or "A-1" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by: (a) any lender under the Secured Credit Facilities; (b) any institution authorized to operate as a bank in any of the countries or member states referred to in sub-clause (1)(a) above; or (c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof, in each case, having capital and surplus aggregating in excess of £250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A-" by S&P or "A-3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Issuer or any of its Subsidiaries) with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, the United Kingdom, Canada, any European Union member state, Japan, Switzerland or Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB-" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States, the United Kingdom, Canada, a member state of the European Union, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of £250 million (or the foreign currency equivalent thereof) or whose long-term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and

(9) investments in money market funds (a) complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended, or (b) rated

"AAA" by S&P or "Aaa" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization).

"**Term Facility**" means a super senior term loan facility in sterling and/or a senior secured term loan facility in sterling in each case available pursuant to the Senior Credit Facilities Agreement.

"**Transaction**" means the Arachas Acquisition, the Bravo Acquisition, the Bennetts Acquisition, refinancing or otherwise discharging of certain existing indebtedness of the Group, the Bravo Group and/or the Arachas Group (including under any hedging agreement or related or ancillary agreement), and the other transactions contemplated by the Transaction Documents (in each case including the financing or refinancing thereof), any other transactions referred to in this Offering Memorandum, the payment or reimbursement of any fees or expenses, the repayment of any amounts due to investors under any management incentive plan of the Group or a Parent Entity and any transactions incidental to the foregoing.

"**Transaction Documents**" means the Arachas Acquisition Agreement, the Bravo Acquisition Agreement, the Bennetts Acquisition Agreement, the constitutional documents of the Issuer, any document evidencing an equity contribution, the finance documents relating to the Senior Secured Credit Facilities Agreement, the Note Documents and, in each case, any documents relating or incidental thereto.

"**Treasury Rate**" means, as of any redemption date, the yield to maturity as of the earlier of (a) such redemption date or (b) the date on which such Notes are defeased or satisfied and discharged, of the most recently issued United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to such date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to , 2022; *provided* that if the period from the redemption date to , 2022 is less than one year, the daily average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used. Any such Treasury Rate shall be obtained by the Issuer.

"**Trust Accounts**" means certain trust accounts in which the Issuer holds cash pursuant to regulatory requirements established by the United Kingdom's Financial Services Authority or other applicable authority applicable to the insurance broking industry for the purpose of ensuring funds are available to pay any costs and expenses necessary to achieve an orderly winding-up of the Issuer or any Subsidiary in the event broking operations cease to operate or are otherwise closed down.

"**U.K. GAAP**" means generally accepted accounting principles in the United Kingdom as in effect from time to time.

"**U.K. Government Securities**" means direct obligations of, or obligations guaranteed by, the United Kingdom, and the payment for which the United Kingdom pledges its full faith and credit.

"**Uniform Commercial Code**" means the New York Uniform Commercial Code.

"**Unrestricted Subsidiary**" means:

(1) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if such designation and the Investment of the Issuer in such Subsidiary comply with "*—Certain Covenants—Limitation on Restricted Payments.*"

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2)(x) the Issuer could Incur at least £1.00 of additional Indebtedness under clause (1) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"**U.S. GAAP**" means generally accepted accounting principles in the United States of America as in effect from time to time.

"**U.S. Government Obligations**" means direct obligations of, or obligations guaranteed by, the United States of America, and the payment for which the United States pledges its full faith and credit.

"**Voting Stock**" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

"**Wholly Owned Subsidiary**" means a Restricted Subsidiary, all of the Capital Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another Wholly Owned Subsidiary) is owned by the Issuer or another Wholly Owned Subsidiary.

## BOOK-ENTRY, DELIVERY AND FORM

### General

The Notes sold outside the United States pursuant to Regulation S under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "**Regulation S Global Note**").

The Notes sold within the United States to qualified institutional buyers, pursuant to Rule 144A, will initially be represented by a global note in registered form without interest coupons attached (the "**144A Global Note**" and, together with the Regulation S Global Note, the "**Global Notes**"). On the Issue Date, the Global Notes will be deposited with a custodian of DTC and registered in the name of Cede & Co., as nominee of DTC.

Ownership of interests in the 144A Global Notes (the "**144A Book-Entry Interests**") and ownership of interests in the Regulation S Global Notes (the "**Regulation S Book-Entry Interests**" and, together with 144A Book-Entry Interests, the "**Book-Entry Interests**") will be limited to persons that have accounts with DTC or persons that may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC and its participants. The Book-Entry Interests in Global Notes will be issued only in denominations of $200,000 and integral multiples of $1.00 in excess thereof.

The Book-Entry Interests will not be held in definitive form. Instead, DTC will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, owners of interests in the Global Notes will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or "holders" of Notes under the Indenture for any purpose.

So long as the Notes are held in global form, DTC (or its nominee) will be considered the sole Holder of Global Notes for all purposes under the Indenture. As such, participants must rely on the procedures of the DTC and indirect participants must rely on the procedures of DTC and the participants through which they own Book-Entry Interests in order to exercise any rights of holders under the Indenture.

None of the Company, any future Guarantor, the Trustee, the Paying Agent, the Registrar or the Transfer Agent under the Indenture, nor any of the Issuer's agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

### Issuance of Definitive Registered Notes

Under the terms of the Indenture, owners of Book-Entry Interests will receive definitive Notes in registered form (the "**Definitive Registered Notes**") only in the following circumstances:

- if DTC notifies the Issuer that it is unwilling or unable to continue to act as depository and a successor depository is not appointed by the Issuer within 120 days;
- in whole, but not in part, if DTC so requests following an event of default under the Indenture, as applicable; or
- if the owner of a Book-Entry Interest requests such exchange in writing delivered through DTC following an event of default under the Indenture.

In such an event, the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of DTC (in accordance with its customary procedures and based upon directions received from participants reflecting the beneficial ownership of the Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the Indenture, unless that legend is not required by the Indenture, or applicable law.

To the extent permitted by law, the Issuer, the Trustee, the Paying Agent and the Registrar shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration in the register maintained by the Registrar, and such registration is a means of evidencing title to the Notes.

The Issuer will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in DTC.

**Redemption of the Global Notes**

In the event any Global Note, or any portion thereof, is redeemed, DTC will distribute the amount received by it in respect of the Global Note so redeemed to the owners of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by DTC in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of DTC, if fewer than all of the Notes are to be redeemed at any time, DTC will credit its respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as it deems fair and appropriate; *provided, however*, that no Book-Entry Interest of less than $200,000 principal amount at maturity, or less, may be redeemed in part.

**Payments on the Global Notes**

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts) will be made by the Issuer to the relevant Paying Agent. The relevant Paying Agent will, in turn, make such payments to DTC or its nominee (in the case of the Global Notes), which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the Indenture, the Issuer and the Trustee will treat the registered holder of the Global Notes (i.e., DTC (or its nominee)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, neither the Issuer, the Trustee nor any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of DTC or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, for any such payments made by DTC or any participant or indirect participant, or for maintaining, supervising or reviewing the records of DTC or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
- DTC or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of customers registered in "street name."

**Currency and Payment for the Global Notes**

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interest in such Notes (the "**DTC Holders**") through DTC in U.S. dollars, other than interest paid as PIK Interest.

**Action by Owners of Book-Entry Interests**

DTC has advised the Issuer that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes, respectively, are credited and only in respect of such portion of the aggregate principal amount of Notes, respectively, as to which such participant or participants has or have given such direction. DTC will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Indenture, DTC reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

**Transfers**

Transfers between participants in DTC will be done in accordance with DTC rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of DTC and in accordance with the provisions of the Indenture.

The Global Notes will bear a legend to the effect set forth in "*Notice to Investors.*" Book-Entry Interests in the Global Notes, respectively, will be subject to the restrictions on transfer discussed in "*Notice to Investors.*"

The 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of Regulation S Book-Entry Interests denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the Indenture, as applicable) to the effect that such transfer is being made in accordance with Regulation S under the U.S. Securities Act. Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests, respectively, only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A under the U.S. Securities Act in a transaction meeting the requirements of Rule 144A under the U.S. Securities Act or otherwise in accordance with the transfer restrictions described under "*Notice to Investors*" and in accordance with any applicable securities laws of any other jurisdiction.

Subject to the foregoing, and as set forth in "*Notice to Investors,*" Book-Entry Interests may be transferred and exchanged as described under "*Description of the Notes—Transfer and Exchange.*" Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note of the same denomination will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it retains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of the Notes—Transfer and Exchange*" and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "*Notice to Investors.*"

Transfers involving an exchange of a Regulation S Book-Entry Interest for 144A Book-Entry Interest will be done by DTC by means of an instruction originating from the Trustee through the DTC Deposit/Withdrawal Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the relevant Regulation S Global Note and a corresponding increase in the principal amount of the the corresponding 144A Global Note. The policies are practices of DTC may prohibit transfer of unrestricted Book-Entry Interests in the Regulation S Global Note prior to the expiration of the 40 days after the date of initial issuance of the notes.

**Information Concerning DTC**

All Book-Entry Interests will be subject to the operations and procedures of DTC. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. None of the Issuer, the Initial Purchasers or the Trustee are responsible for those operations or procedures.

DTC advised the Issuer that it is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" under the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). DTC holds and provides asset servicing for issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (that DTC's direct participants deposit with DTC). DTC also facilitates the post-trade settlement among direct participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between direct participants' accounts. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly.

Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in DTC systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through DTC systems will receive distributions attributable to the 144A Global Notes only through DTC participants.

### Global Clearance and Settlement under the Book-Entry System

The Notes represented by the Global Notes are expected to be admitted to trading on the Official List of The International Stock Exchange and to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore be required by DTC to be settled in immediately available funds. The Issuer expects that secondary trading in any certificated Notes will also be settled in immediately available funds.

Although DTC currently follows the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in DTC, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, any guarantor, the Trustee or the Paying Agent will have any responsibility for the performance by DTC or its respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

### Initial Settlement

Initial settlement for the Notes will be made in U.S. dollars. Book-Entry Interests owned through DTC accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of DTC holders on the business day following the settlement date against payment for value on the settlement date.

### Secondary Market Trading

The Book-Entry Interests will trade through participants of DTC and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

## CERTAIN ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") and the Internal Revenue Code (the "**Code**") impose certain restrictions on (a) employee benefit plans (as defined in Section 3(3) of ERISA) that are subject to Title I of ERISA, (b) plans, including individual retirement accounts and other arrangements that are subject to Section 4975 of the Code or provisions under any other federal, state, local, non-US, or other laws, rules, regulations that are substantially similar to such provisions of ERISA or the Code (collectively, "**Similar Laws**") and (c) entities whose underlying assets are considered to include "plan assets" (within the meaning of 29 C.F.R. Section 2510.3-101 (as modified by Section 3(42) of ERISA)) or any applicable Similar Law ("**Plan Assets**") of any such plans described in (a) or (b) above (each, a "**Plan**").

### *General Fiduciary Matters*

ERISA and the Code impose certain duties on persons who are fiduciaries of Plans subject to Title I of ERISA and Section 4975 of the Code ("**ERISA Plans**") and prohibit certain transactions between a Plan and fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of an ERISA Plan or the management or disposition of the assets of an ERISA Plan, or who renders investment advice for a fee or other compensation (direct or indirect) to an ERISA Plan, is generally considered to be a fiduciary of such ERISA Plan. In considering an investment of a portion of the assets of any Plan in the Notes, a fiduciary (taking into account the facts and circumstances of the Plan) should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to a fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Law.

Each ERISA Plan should consider the fact that Issuer, Security Agent, the initial purchasers or any of their respective affiliates (the "**Transaction Parties**") is acting, or will act, as a fiduciary to any ERISA Plan with respect to the decision to purchase or hold the notes. The Transaction Parties are not undertaking to provide impartial investment advice or advice based on any particular investment need, or to give advice in a fiduciary capacity, with respect to the decision to purchase or hold the notes. All communications, correspondence and materials from the Transaction Parties with respect to the notes are intended to be general in nature and are not directed at any specific purchaser of the notes, and do not constitute advice regarding the advisability of investment in the notes for any specific purchaser. The decision to purchase and hold the notes must be made solely by each prospective ERISA Plan purchaser on an arm's length basis.

### *Prohibited Transaction Issues*

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving Plan Assets with persons or entities who are "parties in interest," within the meaning of Section 3(14) of ERISA, or "disqualified persons," within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. Plans that are "governmental plans" (as defined in Section 3(32) of ERISA or Section 4975(g)(2)) of the Code, certain "church plans" (as defined in Section 3(33) of ERISA or Section 4975(g)(3) of the Code) and non-US plans (as described in Section 4(b)(4) of ERISA) are not subject to the requirements of ERISA or Section 4975 of the Code but may be subject to similar prohibitions under the applicable Similar Laws.

The acquisition and/or holding of Notes by an ERISA Plan with respect to which any of the Transaction Parties is considered a party in interest or disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, the US Department of Labor has issued prohibited transaction class exemptions ("**PTCEs**") that may apply to provide exemptive relief for direct or indirect prohibited transactions resulting from the acquisition and holding of the Notes. These class exemptions include, without limitation, PTCE 84-14, as amended, respecting transactions determined by an independent qualified professional asset manager; PTCE 90-1, respecting insurance company pooled separate accounts; PTCE 91-38, respecting bank-maintained collective investment funds; PTCE 95-60, respecting life insurance company general accounts; and PTCE 96-23, respecting transactions determined by in-house asset managers. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide relief from the prohibited transaction provisions of ERISA and Section 4975 of the Code for certain transactions between an ERISA Plan and a person that is a party in interest or disqualified person solely by reason of providing services to the ERISA Plan or a relationship with such service provider, *provided that* neither the person transacting with the ERISA Plan nor an affiliate exercises any discretionary authority or control with respect to the assets of the ERISA Plan involved in the transaction or renders investment advice with respect to such assets, and provided further that the ERISA Plan pays no more than and receives no less than adequate consideration in connection with the transaction. There can be no assurance that all of the conditions of any such exemptions will be satisfied.

In addition, a fiduciary of an ERISA Plan that engages in a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. Accordingly, each original or subsequent purchaser or transferee of a Note that is or may become a Plan is responsible for determining that its purchase and holding of such Note will not constitute a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or similar violation of any applicable Similar Laws. See "*Notice to Investors*."

***Representation***

By acceptance of a Note, each purchaser and subsequent transferee will be deemed to have represented and warranted that (A) either (1) no portion of the assets used by such purchaser or transferee to acquire and hold the Notes constitutes Plan Assets or (2) the purchase and holding of the Notes by such purchaser or transferee will not constitute or result in (a) a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation under any applicable Similar Laws and (b) none of the Transaction Parties have been relied upon for any advice with respect to the purchaser or transferee's decision to acquire and hold the notes, and none of them shall at any time be relied upon as a fiduciary with respect to any decision to acquire, continue to hold or transfer the notes and (B) it will not sell or otherwise transfer such notes or any interest therein otherwise than to a purchaser or transferee that is deemed to make these same representations, warranties and agreements with respect to its purchase and holding of such note or any interest therein.

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN ERISA IMPLICATIONS OF AN INVESTMENT IN THE NOTES AND DOES NOT PURPORT TO BE COMPLETE. PROSPECTIVE INVESTORS SHOULD CONSULT WITH THEIR OWN LEGAL, TAX, FINANCIAL AND OTHER ADVISORS PRIOR TO INVESTING IN THE NOTES TO REVIEW THESE IMPLICATIONS IN LIGHT OF SUCH INVESTOR'S PARTICULAR CIRCUMSTANCES.

THE OFFERING OF THE NOTES SHALL NOT BE CONSTRUED AS A REPRESENTATION BY THE ISSUER THAT AN INVESTMENT IN THE NOTES WOULD MEET ANY OR ALL OF THE RELEVANT LEGAL REQUIREMENTS WITH RESPECT TO INVESTMENTS BY, OR IS APPROPRIATE FOR, ANY PLAN. PURCHASERS OF THE NOTES HAVE THE EXCLUSIVE RESPONSIBILITY FOR ENSURING THAT THEIR PURCHASE AND HOLDING OF THE NOTES COMPLIES WITH THE FIDUCIARY RESPONSIBILITY RULES OF ERISA AND DOES NOT VIOLATE THE PROHIBITED TRANSACTION RULES OF ERISA, THE CODE OR ANY APPLICABLE SIMILAR LAWS.

## NOTICE TO INVESTORS

The Notes have not been, and will not be, registered under the U.S. Securities Act or any state securities laws and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Notes offered hereby are being offered and sold only to QIBs in reliance on Rule 144A under the U.S. Securities Act and outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

In addition, until 40 days after the later of the commencement of the offering and the closing date, an offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

Each purchaser of Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with us and the initial purchasers as follows:

(1) It understands and acknowledges that the Notes and the Notes Guarantees have not been registered under the U.S. Securities Act or any other applicable securities law, are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any state securities law, including sales pursuant to Rule 144A, and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any other applicable securities law, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraph (5) below.

(2) It is not an "affiliate" (as defined in Rule 144 under the U.S. Securities Act) of the Issuer or any Guarantor or acting on behalf of the Issuer or any Guarantor and it is either:

(i) a QIB and is aware that any sale of Notes to it will be made in reliance on Rule 144A and the acquisition of Notes will be for its own account or the account of another QIB; or

(ii) purchasing the Notes outside the United States in an offshore transaction in accordance with Regulation S and if resident in a Member State in the EEA or the United Kingdom, it is not a retail investor (for these purposes, a "retail investor" means a person who is one (or more) of the following: (a) a retail client as defined in point (11) of Article 4(1) of MiFID II, (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II or (iii) not a "qualified investor" as defined in the Prospectus Regulation).

(3) It acknowledges that neither the Issuer, the Guarantors nor the initial purchasers, nor any person representing the Issuer, the Guarantors or the initial purchasers, have made any representation to it with respect to the offering or sale of any Notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It acknowledges that neither the initial purchasers nor any person representing the initial purchasers makes any representation or warranty as to the accuracy or completeness of the information contained in this offering memorandum. It also acknowledges it has had access to such financial and other information concerning us, the Issuer, the Guarantors, the Indenture, the Notes, the Notes Guarantees and the security documents as you deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Issuer, the Guarantors and the initial purchasers.

(4) It is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the U.S. Securities Act.

(5) Each holder of Notes issued in reliance on Rule 144A agrees on its own behalf and on behalf of any investor account for which it is purchasing the Notes, and each subsequent holder of the Notes (as applicable) by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes only (i) to the Issuer, (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act, (iii) for so

long as the Notes are eligible pursuant to Rule 144A under the U.S. Securities Act, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the U.S. Securities Act, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the U.S. Securities Act, or (v) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and in compliance with any applicable state securities laws and any applicable local laws and regulations, and further subject to the Issuer's and the Trustee's rights prior to any such offer, sale or transfer pursuant to clause (iv) or (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them.

(6) You agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes, and each subsequent holder of such Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the "**Resale Restriction Termination Date**") that is one year after the later of the date of the Issue Date and the last date on which we or any of our affiliates were the owner of such Notes (or any predecessor thereto) only (i) to the Issuer, (ii) pursuant to a registration statement that has been declared effective under the Securities Act, (iii) for so long as the Notes are eligible for resale pursuant to Rule 144A under the Securities Act, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the Securities Act, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act or (v) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to our and the trustee's rights prior to any such offer, sale or transfer (I) pursuant to clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

(7) Each purchaser acknowledges that:

(i) each note sold pursuant to Rule 144A will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "**US SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT IS A "**QUALIFIED INSTITUTIONAL BUYER**" (AS DEFINED IN RULE 144A UNDER THE US SECURITIES ACT), (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE US SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE US SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL,

CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

(ii) and each note will contain a legend substantially to the following effect:

BY ITS ACQUISITION OF THIS SECURITY, THE HOLDER HEREOF WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT (I) EITHER (1) NO PORTION OF THE ASSETS USED BY IT TO ACQUIRE AND HOLD THIS SECURITY CONSTITUTES "PLAN ASSETS" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101 (AS MODIFIED BY SECTION 3(42) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**")) OR THE ASSETS OF ANY RETIREMENT PLAN OR ARRANGEMENT THAT IS NOT SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**") BUT IS SUBJECT TO ANY OTHER FEDERAL, STATE, LOCAL, NON-US OR OTHER LAWS, RULES OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO SUCH PROVISIONS OF ERISA OR THE CODE ("**SIMILAR LAW**") OR (2) THE PURCHASE AND HOLDING OF THIS SECURITY BY IT WILL NOT CONSTITUTE OR RESULT IN (A) A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A SIMILAR VIOLATION UNDER ANY APPLICABLE SIMILAR LAW AND (B) NEITHER THE ISSUER, SECURITY AGENT, THE INITIAL PURCHASERS, THE TRUSTEE OR ANY OF THEIR RESPECTIVE AFFILIATES (THE "**TRANSACTION PARTIES**") HAVE BEEN RELIED UPON FOR ANY ADVICE WITH RESPECT TO THE PURCHASER OR TRANSFEREE'S DECISION TO ACQUIRE AND HOLD THE NOTES, AND NONE OF THEM SHALL AT ANY TIME BE RELIED UPON AS A FIDUCIARY WITH RESPECT TO ANY DECISION TO ACQUIRE, CONTINUE TO HOLD OR TRANSFER THE NOTES AND (II) IT WILL NOT SELL OR OTHERWISE TRANSFER SUCH NOTES OR ANY INTEREST THEREIN OTHERWISE THAN TO A PURCHASER OR TRANSFEREE THAT IS DEEMED TO MAKE THESE SAME REPRESENTATIONS, WARRANTIES AND AGREEMENTS WITH RESPECT TO ITS PURCHASE AND HOLDING OF SUCH NOTE OR ANY INTEREST THEREIN.

(iii) and each note shall include the following legend:

THE FOLLOWING INFORMATION IS SUPPLIED SOLELY FOR U.S. FEDERAL INCOME TAX PURPOSES. THIS NOTE WAS ISSUED WITH "ORIGINAL ISSUE DISCOUNT" ("**OID**") WITHIN THE MEANING OF SECTION 1273 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), AND THIS LEGEND IS REQUIRED BY SECTION 1275(c) OF THE CODE. HOLDERS MAY OBTAIN INFORMATION REGARDING THE AMOUNT OF ANY OID, THE ISSUE PRICE, THE ISSUE DATE, AND THE YIELD TO MATURITY RELATING TO THE NOTES BY CONTACTING THE CHIEF FINANCIAL OFFICER OF THE ISSUER AT 1 MINSTER COURT, LONDON, EC3R 7AA UNITED KINGDOM.

(8) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes, as applicable.

(9) It represents and warrants that either (1) no portion of the assets used by such purchaser or transferee to acquire and hold the Notes constitutes Plan Assets or (2) the purchase and holding of the Notes by such purchaser or transferee will not constitute or result in (a) a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation under any applicable Similar Law and (b) none of the Transaction Parties have been relied upon for any advice with respect to the purchaser or transferee's decision to acquire and hold the notes, and none of them shall at any time be relied upon as a fiduciary with respect to any decision to acquire, continue to hold or transfer the notes and (B) it will not sell or otherwise transfer such notes or any interest therein otherwise than to a purchaser or transferee that is deemed to make these same representations, warranties and agreements with respect to its purchase and holding of such note or any interest therein.

(10) It acknowledges that until 40 days after the commencement of the offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act.

(11) It acknowledges that the Registrar will not be required to accept for registration of transfer any Notes except upon presentation of evidence satisfactory to us and the Trustee that the restrictions set out therein have been complied with.

(12) It understands that no action has been taken in any jurisdiction (including the United States) by the Issuer or the initial purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set out under "*Plan of Distribution*."

It acknowledges that we, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Notes is no longer accurate, it will promptly notify the initial purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

## CERTAIN TAX CONSIDERATIONS

### United Kingdom Tax Considerations

The following is a general description of certain UK tax consequences relating to the Notes and is based on current UK tax law and HMRC published practice, both of which may be subject to change, possibly with retrospective effect, relating only to the UK withholding tax treatment of payments of interest on the Notes and stamp tax considerations on the issue or transfer of the Notes. References to "interest" refer to interest as that term is understood for United Kingdom tax purposes. It does not purport to be a complete analysis of all UK tax considerations relating to the Notes, does not purport to constitute legal or tax advice, relates only to persons who are the absolute beneficial owners of the Notes and who hold the Notes as a capital investment, and does not deal with certain classes of persons (such as brokers or dealers in securities and persons connected with the Issuer) to whom special rules may apply. If you are subject to tax in any jurisdiction other than the UK or if you are in any doubt as to your tax position, you should consult an appropriate professional advisor.

### Interest on the Notes

***Payment of Interest on the Notes***

Interest on the Notes will be payable without withholding or deduction for or on account of UK income tax provided that the Notes carry a right to interest and are and remain listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed for this purpose if they are officially listed in Guernsey in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the Exchange.

In most other cases, an amount must generally be withheld from payments of interest on the Notes on account of UK income tax at the basic rate (currently 20%), unless an exemption or relief applies (for instance, in connection with a direction by HMRC in respect of relief under an applicable double taxation treaty).

References to payments of interest in this section include circumstances where additional Notes are issued as PIK Interest (but, for the avoidance of doubt, do not include circumstances where the principal amount of the outstanding Notes is increased by way of PIK Interest, on the basis that such increase to principal should generally not be treated as being a "payment" for the purposes of the rules relating to the withholding or deduction for or on account of UK income tax until such time as amounts in respect of such interest are actually paid to Noteholders).

***Guarantor Payments***

If a Guarantor makes any payments in respect of interest on the Notes (or in respect of other amounts due under the Notes other than the repayment of amounts subscribed for such Notes), such payments may be subject to UK withholding tax at the basic rate (currently 20%), subject to such relief as may be available under the provisions of any applicable double taxation treaty or any other relief which may apply. Such payments by a Guarantor may not, however, be eligible for the exemptions from the obligation to withhold tax described in the paragraphs above.

***Further UK Tax Issues***

Interest on the Notes that constitutes UK source income for tax purposes may be subject to UK tax by way of direct assessment (including self-assessment) even where paid without withholding or deduction.

However, interest with a UK source received without withholding or deduction for or on account of UK income tax will not be chargeable to UK tax in the hands of a holder of the Notes who is not resident for tax purposes in the UK (other than in the case of certain trustees) unless (i) that holder of the Notes carries on a trade, profession or vocation in the UK through a branch or agency and in the case of holders of the Notes who are companies through a permanent establishment in the UK; and (ii) the interest is received in connection with, or the Notes are attributable to, that permanent establishment, branch or agency. There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such holders of the Notes.

### *Stamp Duty and Stamp Duty Reserve Tax ("SDRT")*

No UK stamp duty or SDRT is payable on issue of, or on a transfer of, or agreement to transfer, the Notes, provided that the Notes do not carry and will not at any time carry (i) a right to interest the amount of which exceeds a reasonable commercial return on the nominal amount of the capital and (ii) a right on repayment to an amount which exceeds the nominal amount of the capital and is not reasonably comparable with what is generally repayable (in respect of a similar nominal amount of capital) under the terms of issue of loan capital listed in the Official List of the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000.

## Certain United States Federal Income Tax Considerations

The following is a discussion of certain U.S. federal income tax considerations of the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax effects. This discussion is based upon the Code, Treasury regulations issued thereunder (the "**Treasury Regulations**"), and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. This discussion is limited to consequences relevant to a U.S. holder (as defined below), except for the discussion on FATCA (as defined under " *—Foreign Account Tax Compliance Act*"). This discussion does not address the impact of the U.S. federal Medicare tax on net investment income, the effects of alternative minimum tax or the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non-U.S. tax laws. No rulings from the U.S. Internal Revenue Service (the "**IRS**") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes, or that any such position would not be sustained by a court.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances or to holders subject to special rules, such as financial institutions, U.S. expatriates, insurance companies, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt organizations, regulated investment companies, real estate investment trusts, holders subject to special tax accounting rules as a result of any item of gross income with respect to the Notes being taken into account in an applicable financial statement, partnerships or other pass-through entities (or investors in such entities), persons who hold Existing Notes that are redeemed pursuant to the Existing Notes Redemption, and persons holding the Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their "issue price" (the first price at which a substantial amount of such Notes is sold for money, not including sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of section 1221 of the Code (generally, property held for investment).

For purposes of this discussion, a "**U.S. holder**" is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity classified as a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a U.S. person.

If any entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A holder that is a partnership, and partners in such partnerships, should consult their tax advisors regarding the tax consequences of the purchase, ownership and disposition of the Notes.

**Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of U.S. federal estate and gift tax laws, the U.S. federal Medicare tax on net investment income, and state, local, non-U.S. or other tax laws.**

### *Characterization of the Notes*

We intend to take the position that we and each holder are entitled to assume initially that all interest on the Notes will be paid in cash, in accordance with Treasury Regulation Section 1.1272-1(c), and that our option to pay PIK Interest for any interest period beginning on or prior to the second anniversary of the Issue Date does not cause the Notes to be subject to the Treasury Regulations applicable to contingent payment debt instruments (the "CPDI Rules"). This assumption regarding the interest being paid as Cash Interest is made solely for U.S. federal income tax purposes and does not constitute a representation by us regarding the likelihood that interest on the Notes will be paid as Cash Interest or PIK Interest. In addition, in certain circumstances, we may be obligated to make payments on the Notes in excess of stated principal and interest. We intend to take the position that such contingencies will not cause the Notes to be subject to the CPDI Rules. This position is based in part on assumptions regarding the likelihood, as of the issue date, that such additional amounts will have to be paid. These positions are binding on a holder, unless the holder discloses in the proper manner to the IRS that it is taking a different position. If the IRS successfully challenged our positions, and the Notes were treated as contingent payment debt instruments, U.S. holders would be required to accrue interest income at a rate higher than the stated rate for Cash Interest, regardless of the holder's method of accounting, and to treat as ordinary income, rather than capital gain, any gain recognized on a sale, exchange, retirement or redemption of a Note. The remainder of this discussion assumes that the Notes will not be considered contingent payment debt instruments. U.S. holders are urged to consult their tax advisors regarding the potential application to the Notes of the CPDI Rules and the consequences thereof.

***Original Issue Discount***

The Notes will be treated as being issued with OID for U.S. federal income tax purposes because no portion of the stated interest on the Notes is unconditionally payable in cash at least annually. The Notes will be issued with OID in an amount equal to the excess of the sum of all principal and interest payments on the Notes (initially taking into account the assumption that Cash Interest will be paid, as described above) over the issue price (as defined above) of the Notes.

U.S. holders must include the OID in gross income (as ordinary income) as it accrues (on a constant yield to maturity basis), in advance of the receipt of cash attributable to that income and irrespective of their regular method of tax accounting. However, U.S. holders generally will not be required to include separately in income cash payments of previously accrued OID.

The amount of OID includible in income by a U.S. holder with respect to a Note is the sum of the "daily portions" of such OID with respect to the Note for each day during the taxable year or portion thereof in which such U.S. holder holds such Note. A daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID that accrued in such period. The accrual period of a Note may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first or last day of an accrual period. The amount of OID that accrues with respect to any accrual period, subject to the possible adjustments described below, will be an amount equal to the product of the Note's "adjusted issue price" at the beginning of such accrual period and its "yield to maturity," determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of such period. The adjusted issue price of a Note at the start of any accrual period generally is equal to its issue price, increased by the OID includible in income for each prior accrual period and reduced by any payments of Cash Interest previously made on the Note. The yield to maturity of a Note is the discount rate that, when used in computing the present value (as of the issue date) of all principal and interest payments to be made under the Note, produces an amount equal to the issue price of the Note.

Any payments of PIK Interest will not be treated as a payment of interest on the Notes for U.S. federal income tax purposes. Instead, any PIK Interest paid on a Note will be treated together with the Note as a single note for U.S. federal income tax purposes.

As discussed above under "—Characterization of the Notes," for purposes of calculating the yield to maturity of the Notes, we intend to take the position that we and each holder are entitled to assume initially that all of the interest on the Notes will be paid in cash. This assumption is made solely for U.S. federal income tax purposes and does not constitute a representation by us regarding the likelihood that we will pay Cash Interest. If, contrary to this assumption, we pay PIK Interest in any period, then solely for the purposes of determining the amount of OID on the Notes going forward, the Notes will be treated as retired and reissued on the date on which we elect to pay such PIK Interest for an amount equal to their then adjusted issue price, and the yield to maturity of the Notes will be redetermined taking into account the change in circumstances. In such event, the deemed reissued Notes could be subject to the CPDI Rules.

OID generally will be income from sources outside the United States and, for purposes of the U.S. foreign tax credit rules, generally will be considered passive category income.

### *Sale, Exchange, Retirement or Other Taxable Disposition of Notes*

Upon the sale, exchange, retirement or other taxable disposition of a Note, a U.S. holder generally will recognize gain or loss in an amount equal to the difference between the amount realized and the U.S. holder's adjusted tax basis in the Note.

A U.S. holder's adjusted tax basis in a Note generally will equal the amount the U.S. holder paid for the Note, increased by any OID previously included in income in respect of the Note and decreased by the amount of any payments of Cash Interest previously made on the Note to the U.S. holder. Although not free from doubt, if we pay PIK Interest on a Note, a U.S. holder's adjusted tax basis in the Note should be allocated between such Note and any PIK Notes (as defined above under "*Description of the Notes*") received in connection with the payment of PIK Interest in proportion to their relative principal amounts. A U.S. holder's holding period in any such PIK Note would likely be identical to its holding period for the original Note with respect to which the PIK Note was received.

Any gain or loss recognized by a U.S. holder generally will be U.S.-source capital gain or loss and will be long-term capital gain or loss if the U.S. holder has held the Note for more than one year at the time of the sale, exchange, retirement or other taxable disposition. In the case of a non-corporate U.S. holder (including an individual), any such gain may be eligible for preferential U.S. federal income tax rates if the U.S. holder satisfies certain prescribed minimum holding periods. The deductibility of capital losses is subject to limitations.

### *Information Reporting and Backup Withholding*

In general, accruals of OID and the proceeds from sales or other dispositions (including retirements or redemptions) of Notes held by a U.S. holder may be required to be reported to the IRS unless the U.S. holder is an exempt recipient and, when required, demonstrates this fact. In addition, a U.S. holder that is not an exempt recipient may be subject to backup withholding unless it provides a taxpayer identification number and otherwise complies with applicable certification requirements. U.S. holders may be required to provide such certification on IRS Form W-9.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. holder's U.S. federal income tax liability and may entitle the holder to a refund, *provided that* the appropriate information is timely furnished to the IRS.

### *Information with respect to Foreign Financial Assets*

Certain U.S. holders who are individuals (and certain entities) that hold an interest in "specified foreign financial assets" (which may include the Notes) are required to report information (on IRS Form 8938) relating to such assets, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions). U.S. holders who fail to report the required information could be subject to substantial penalties. U.S. holders should consult their tax advisors regarding the effect, if any, of this requirement on their ownership and disposition of the Notes.

### *Foreign Account Tax Compliance Act*

Pursuant to sections 1471 through 1474 of the Code (provisions commonly known as "**FATCA**"), and subject to the proposed regulations discussed below, a "foreign financial institution" may be required to withhold U.S. tax on certain foreign passthru payments made after December 31, 2018 to the extent such payments are treated as attributable to certain U.S.-source payments. Obligations issued on or prior to the date that is six months after the date on which applicable final regulations defining foreign passthru payments are published in the U.S. Federal Register generally would be "grandfathered" unless materially modified after such date. Accordingly, if we were treated as a foreign financial institution, withholding under FATCA could apply to payments on the Notes only if there is a significant modification of such Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. Under proposed regulations, any withholding on foreign passthru payments on Notes that are not otherwise grandfathered would apply to passthru payments made on or after the date that is two years after the date of publication in the Federal Register of applicable final regulations defining foreign passthru payments. Taxpayers generally may rely on these proposed regulations until final regulations are issued. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is imposed with respect to any payments on the Notes, there will be no additional amounts payable to compensate for the withheld amount.

## PLAN OF DISTRIBUTION

The initial purchasers are BofA Securities, Inc., Barclays Capital Inc., Deutsche Bank Securities Inc., Goldman Sachs International, and NatWest Markets Securities Inc. The Issuer has agreed to sell to the initial purchasers, and the initial purchasers have agreed to purchase from us, pursuant to a purchase agreement between the Issuer, the Guarantors and the initial purchasers (the "**Purchase Agreement**"), the principal amount of the Notes.

The obligations of the initial purchasers under the Purchase Agreement, including their agreement to purchase the Notes from us, are several and not joint.

The initial purchasers initially propose to offer the Notes for resale at the issue price that appears on the cover of this offering memorandum. Depending on market conditions, certain of the initial purchasers may decide to initially purchase and hold a portion of the Notes for their own accounts. After the initial offering of the Notes, the initial purchasers may change the prices at which the Notes are offered and any other selling terms at any time without notice. The initial purchasers may offer and sell Notes through certain of their affiliates, who are qualified broker-dealers under applicable law, including in respect of sales into the United States.

Certain of the Initial Investors or their respective affiliates may place a purchase order for and be allocated the Notes at a purchase price per Note equal to the issue price set forth on the cover page of this Offering Memorandum.

The Purchase Agreement provides that the obligations of the initial purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel and our counsel.

The Purchase Agreement provides that the Issuer will indemnify and hold harmless the initial purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the initial purchasers may be required to make in respect thereof. The Issuer has agreed, subject to certain limited exceptions, that during the period from the date hereof through and including the date that is      days after the date of the Purchase Agreement, to not, and to cause its subsidiaries to not, without having received the prior written consent provided for in the Purchase Agreement, offer, sell, contract to sell or otherwise dispose of any debt securities issued or guaranteed by the Issuer or any of its subsidiaries.

The Notes and the Notes Guarantees have not been, and will not be, registered under the U.S. Securities Act and may not be offered or sold within the United States except to QIBs in reliance on Rule 144A and outside the United States in reliance on Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under "*Notice to Investors.*"

This offering memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

Each of the initial purchasers has represented, warranted and agreed that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or any Guarantor; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

This offering memorandum has been prepared on the basis that any offering of the offered Notes in any Member State of the EEA or the United Kingdom will be made pursuant to an exemption under Regulation 2017/1129/EU (the "**Prospectus Regulation**") from the requirement to publish a prospectus for offerings of notes. This offering memorandum is not a prospectus for purposes of the Prospectus Regulation. This offering memorandum is not a prospectus for the purposes of the Prospectus Regulation.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by us or the initial purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of this offering memorandum and resale of the Notes. See "*Notice to Investors*."

The Issuer and the Guarantors have also agreed that they will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the U.S. Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

The Notes are new issues of securities for which there currently is no market. The Issuer will apply, through its listing agent, to list the Notes on the Exchange and trade the Notes on the Official List thereof. There can be no assurance that the Notes will be listed or traded on the Official List of the Exchange or that such listing will be maintained.

Certain initial purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. The initial purchasers are not obligated, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the initial purchasers without notice. In addition, any such market-making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act.

Accordingly, the Issuer cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See "*Risk Factors—Risks Related to the Notes, the Notes Guarantees and the Collateral—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited.*"

In connection with the Offering, the initial purchasers may purchase and sell the Notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater principal amount of Notes than they are required to purchase in the Offering. The initial purchasers must close out any short position by purchasing Notes in the open market. A short position is more likely to be created if the initial purchasers are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the Offering.

Similar to other purchase transactions, the initial purchasers' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor any of the initial purchasers make any representation that these transactions will be engaged in or that these transactions, once commenced, will not be discontinued without notice.

The Issuer expects that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this offering memorandum, which will be business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as "T + "). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this offering memorandum or on the next successive business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

The initial purchasers or their respective affiliates from time to time have provided in the past and may provide in the future investment banking, commercial purpose lending, transaction and clearing services, consulting and financial advisory services to us and our affiliates in the ordinary course of business for which they may receive customary advisory and transaction fees and expense reimbursement. Certain of the initial purchasers may from time to time also enter into swap and other derivative transactions with us and our affiliates.

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the initial purchasers or their affiliates that have a lending relationship with the Issuer may routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such initial purchasers and their affiliates would hedge such exposure by entering into transactions that consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes offered in the Offering. Any such short positions could adversely affect future trading prices of Notes offered in the Offering. The initial purchasers and their affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long or short positions in such securities and instruments.

Certain initial purchasers or their respective affiliates will be lenders under the New Revolving Credit Facility. In addition, certain initial purchasers or their respective affiliates are lenders under the Existing Revolving Credit Facility. Amounts drawn under the Existing Revolving Credit Facility will be repaid in full with the proceeds of the Offering. In addition, one or more of the shareholders of the Issuer or its or their respective affiliates may purchase Notes, be lenders under the Secured Credit Facilities or provide other lending, advisory or investment services to the Ardonagh Group from time to time, and may receive customary fees and reimbursement of costs in respect thereof.

## LEGAL MATTERS

Certain legal matters in connection with the offering will be passed upon for us by Latham & Watkins (London) LLP and by Kirkland & Ellis International LLP, in each case, as to matters of U.S. federal, New York State and English law. Certain legal matters in connection with the offering will be passed upon for the initial purchasers by Milbank LLP, as to matters of U.S. federal, New York State and English law.

## INDEPENDENT AUDITORS

The Ardonagh 2019 Audited Financial Statements as of and for the year ended December 31, 2019 and the Ardonagh 2018 Audited Financial Statements as of and for the year ended December 31, 2018, prepared in accordance with IFRS, included in this offering memorandum have been audited by Deloitte LLP, independent auditor, as stated in their report appearing herein.

## WHERE YOU CAN FIND MORE INFORMATION

Each purchaser of the Notes from the initial purchasers will be furnished with a copy of this offering memorandum and any related amendments or supplements to this offering memorandum. Each person receiving this offering memorandum acknowledges that (i) such person has been afforded an opportunity to request from us, and has received, all additional information considered to be necessary to verify the accuracy and completeness of the information herein; (ii) such person has not relied on the initial purchasers or any person affiliated with the initial purchasers in connection with its investigation of the accuracy of such information or its investment decision; and (iii) except as provided in clause (i), no person has been authorized to give any information or to make any representation concerning the Notes other than those contained herein, and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the initial purchasers.

We are not currently subject to the periodic reporting and other information requirements of the Exchange Act. For so long as any of the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and the Issuer is neither subject to Section 13 or 15(d) of the U.S. Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) under the U.S. Exchange Act, it will, upon the written request of any such person, furnish to any holder or beneficial owner of Notes, or to any prospective purchaser designated by any such registered holder, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act. Any such written request should be directed to the Paying Agent. Copies of such documents will be made available at the registered office of the Issuer.

Pursuant to the Indenture, as applicable, and so long as the Notes are outstanding, we will furnish periodic information to holders of the Notes. See "*Description of the Notes—Certain Covenants—Reports.*" For so long as the Notes are listed on the Exchange for trading on the Official List of the Exchange thereof and the rules of that exchange so require, copies of such information, the organizational documents of the Issuer and each Guarantor, the most recent audited consolidated financial statements of Topco, the Indenture (which includes the guarantees and the form of the Notes), the Intercreditor Agreement (as defined herein) and the Security Documents (as defined herein) will be available for review upon written request (during normal business hours) on any business day at the registered office of the Issuer. See "*Listing and General Information*."

## SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a public limited company and some of the Guarantors are private limited companies or exempted companies (as applicable) incorporated under the laws of England and Wales and the Republic of Ireland. Certain of the directors, officers and other executives of the Issuer and the Guarantors are neither residents nor citizens of the United States. Furthermore, certain of the assets of the directors and executive officers of the Issuer and of the Guarantors are located outside the United States. As a result, it may not be possible for you to serve process on such persons, the Issuer or the Guarantors in the United States or to enforce judgments obtained in U.S. courts against them or the Issuer based on civil liability provisions of the securities laws of the United States.

### Enforcement of Judgements against the Issuer and the English Guarantors in the United States

The United States and England currently are not parties to a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters.

Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized or enforceable in England. In order to enforce any such U.S. judgment in England, proceedings must first be initiated before a court of competent jurisdiction in England. In such an action, the English court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is stated below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by an English court in such an action is conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to English conflicts of laws principles;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a debt for a definite sum of money;
- the U.S. judgment not contravening English public policy;
- the U.S. judgment not being for a sum payable in respect of tax, or other charges of a like nature in respect of a penalty or fine;
- within English courts, the U.S. judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained and not being otherwise in breach of Section 5 of the Protection of Trading Interests Act 1980 of English Law;
- the U.S. judgment not having been obtained by fraud or in breach of English principles of natural justice;
- judgment is not given in proceedings brought in breach of an agreement for settlement of disputes;
- there not having been a prior inconsistent decision of an English court between the same parties; and
- the English enforcement proceedings being commenced within six years from the date of the U.S. judgment.

Subject to the foregoing, investors may be able to enforce in England judgments in civil and commercial matters that have been obtained from U.S. federal or state courts. Nevertheless, there can be no assurance that those judgments will be recognized or enforceable in England. In addition, it is questionable whether an English court would accept jurisdiction and impose civil liability if the original action was commenced in England, instead of the United States, and predicated solely upon U.S. federal securities laws.

### Enforcement of Judgments against the Irish Guarantors

As the United States is not a party to a convention with the Republic of Ireland in respect of the enforcement of judgments, common law rules apply in order to determine whether a judgment of the courts of the State of New York is enforceable in the Republic of Ireland. A judgment of the courts of the State of New York will be enforced by the courts of the Republic of Ireland if the following general requirements are met:

(i) the judgment must be for a definite sum of money;

(ii) the courts of the State of New York must have had jurisdiction in relation to the particular defendant according to the Republic of Ireland conflict of law rules (the submission to jurisdiction by the defendant would satisfy this rule); and

(iii) the judgment must be final and conclusive and the decree must be final and unalterable in the court which pronounces it. A judgment can be final and conclusive even if it is subject to appeal or even if an appeal is pending. Where however, the effect of lodging an appeal under the applicable law is to stay execution of the judgment, it is possible that, in the meantime, the judgment should not be actionable in the Republic of Ireland. It remains to be determined whether final judgment given in default of appearance is final and conclusive.

However, the Irish courts may refuse to enforce a judgment of the courts of the State of New York, which meets the above requirements, for one of the following reasons:

(i) if the judgment was obtained by fraud;

(ii) the enforcement of the judgment in the Republic of Ireland would be contrary to natural or constitutional justice;

(iii) the judgment is contrary to the Republic of Ireland public policy or involves certain United States laws which will not be enforced in the Republic of Ireland; or

(iv) jurisdiction cannot be obtained by the Irish courts over the judgment debtors in the enforcement proceedings by personal service in the Republic of Ireland or outside the Republic of Ireland under Order 11 of the Superior Courts Rules.

Pursuant to Article 4 of Council Regulation (EC) No 2271/96 of November 22, 1996, as amended by Commission Delegated Regulation (EU) 2018/1100 (the "Blocking Statute"), no judgment of a court or tribunal and no decision of an administrative authority located outside of the European Union giving effect, directly or indirectly, to the laws specified in the annex to the Blocking Statute or to actions based thereon will be recognized or be enforceable in any manner by the courts of the Republic of Ireland.

## CERTAIN INSOLVENCY LAW CONSIDERATIONS

*The following is a brief description of certain insolvency law considerations in the jurisdictions in which Notes Guarantees and the Collateral are initially being provided. The descriptions below do not purport to be complete or discuss all of the limitations or considerations that may affect the Notes, the Notes Guarantees or the Collateral. Proceedings of bankruptcy, insolvency or a similar event could be initiated in any of these jurisdictions and in the jurisdiction of organization of a future Guarantor or provider of Collateral. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes, the Notes Guarantees and the Collateral, as applicable. Prospective investors in the Notes should consult their own legal advisors with respect to such limitations and considerations. See "Risk Factors—Risks Related to our Structure and the Financing."*

### European Union

The Issuer and certain of the Guarantors are incorporated under the laws of member states of the European Union (each, a "**Member State**"). Pursuant to Regulation (EU) no. 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings (which applies to insolvency proceedings opened on or after 26 June 2017 (subject to certain exceptions)), (the "**Recast Insolvency Regulation**"), which applies within the European Union, other than Denmark, the courts of the Member State in which a company's "centre of main interests" ("**COMI**") is situated have jurisdiction to open main insolvency proceedings.

Article 3(1) of the Recast Insolvency Regulation states that a company's COMI "shall be the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties" and that in the case of a company or legal person, COMI is presumed to be located in the country of the registered office in the absence of proof to the contrary, though that presumption shall only apply if the registered office has not been moved to another Member State within the three-month period prior to the request for the opening of insolvency proceedings.

Recital 30 of the Recast Insolvency Regulation contains a number of examples of where a presumption as to COMI may be rebutted: for instance, if the company's central administration is located in a Member State other than the one where it has its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual centre of management and supervision and the centre of the management of its interests is located in that other Member State. In that respect, the factors that courts may take into consideration when determining the COMI of a debtor can include where board meetings are held, the location where the debtor conducts the majority of its business or has its head office and the location where the majority of the debtor's creditors are established.

This means that a company's COMI is not a static concept and may change from time to time as the determination of where a company has its COMI is depends on the facts and circumstances as at the date the company enters an insolvency proceeding and on which the courts of the different Member States may have differing and even conflicting views.

The courts of all Member States (other than Denmark) must recognize the judgment of the court commencing main proceedings, which will be given the same effect in the other Member States so long as no secondary insolvency proceedings or territorial insolvency proceedings have been commenced there. The insolvency practitioner appointed by a court in the Member State (in which the debtor's COMI is situated) which has jurisdiction to commence main proceedings may exercise the powers conferred on it by the laws of that Member State in another Member State (other than Denmark) (such as to remove assets of the debtor from that other Member State). These powers are subject to certain limitations (e.g., the powers are available *provided that* no insolvency proceedings have been commenced in that other Member State nor any preservation measure to the contrary has been taken there further to a request to commence secondary proceedings in that other Member State where the debtor has assets).

If the "COMI" of a company is in one Member State (other than Denmark), under Articles 3(2) to Article 3(4) of the Recast Insolvency Regulation, the courts of another Member State (other than Denmark) only have jurisdiction to open insolvency proceedings against that company if such company has an "establishment" in the territory of such other Member State, and such insolvency proceedings must be "territorial" or "secondary". Secondary proceedings may be any insolvency proceeding listed in Annex A of the Recast Insolvency Regulation and for the avoidance of doubt, are not limited to winding-up proceedings.

An "establishment" is defined in Article 2(1) of the Recast Insolvency Regulation to mean "any place of operations where a debtor carries out or has carried out in the 3-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets". Accordingly, the opening of territorial or secondary insolvency proceedings in another Member State (other than Denmark) will only be possible if the debtor had an establishment in such Member State in the 3-month period prior to the request for opening of main insolvency proceedings.

The effects of those territorial or secondary insolvency proceedings opened in that other Member State are restricted to the assets of the company situated in such other Member State. Where main proceedings in the Member State in which the debtor has its COMI have not yet been commenced, territorial insolvency proceedings may only be commenced in another Member State (other than Denmark) where the debtor has an establishment where either (i) insolvency proceedings cannot be commenced in the Member State in which the debtor's COMI is situated under the conditions laid down by that Member State's law; or (ii) the opening of territorial insolvency proceedings is requested by (a) a creditor whose claim arises from or is in connection with the operation of an establishment situated within the territory of the Member State where the opening of territorial proceedings is requested, or (b) a public authority which, under the law of the Member State within the territory of which the establishment is situated, has the right to request the opening of insolvency proceedings. When main insolvency proceedings are opened, territorial insolvency proceedings become secondary insolvency proceedings. Irrespective of whether the insolvency proceedings are main or secondary or territorial insolvency proceedings, such proceedings will, subject to certain exceptions, be governed by the local insolvency law of the court that has assumed jurisdiction over the insolvency proceedings of the debtor.

In addition, the concept of "group coordination proceedings" has been introduced in the Recast Insolvency Regulation with the aim of bolstering efficiency in the insolvency of several members of a group of companies. Under Article 61 of the Recast Insolvency Regulation, group coordination proceedings may be requested before any court having jurisdiction over the insolvency proceedings of a member of the group, by an insolvency practitioner appointed in insolvency proceedings opened in relation to a member of the group. Participation by the insolvency practitioner of the relevant member of the group in the group coordination proceedings and adherence to the coordinating insolvency practitioner's recommendations or plan however is voluntary.

In the event that any of the Issuers or Guarantors experience financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations and the security of the Issuer or Guarantors.

Brexit, i.e. the UK ceasing to be a member state of the European Union on 31 January 2020, will not have an immediate impact on cross-border corporate restructuring and insolvency as EU regulations will continue to apply until the end of the transition period, which, unless extended, will run until 31 December 2020. The position beyond 31 December 2020 is unknown at this time as it depends on a trade deal being agreed between the UK and the EU, and whether or not such a deal includes a replacement for the current automatic recognition of UK insolvency procedures across the EU and vice versa. In the absence of a deal addressing automatic recognition, it will be harder for UK office holders and UK restructuring and insolvency proceedings to be recognized in EU member states and to effectively deal with assets located in EU member states. Much will then depend upon the private international law rules in the particular EU member state and the need may well arise to open parallel proceedings, increasing the element of risk. In particular in cases where the appointment of a UK office holder has been made in reliance on a UK domestic approach rather than the COMI rules, it is much less certain that there will be recognition in the relevant EU member state.

### England and Wales

The Issuer and certain of the Guarantors and providers of Collateral are companies incorporated under the laws of England and Wales (the "**English Obligors**"). Therefore, any insolvency proceedings by or against the English Obligors would likely be based on English insolvency laws. However, as discussed above, pursuant to the Recast Insolvency Regulation, where a company incorporated under English law has its COMI in a Member State of the European Union other than the United Kingdom, any main insolvency proceedings for that company would, subject to certain exceptions, be opened in the Member State in which its COMI is located and be, subject to certain exceptions set out in Articles 8 to 18 of the Recast Insolvency Regulation, subject to the laws of that Member State.

Similarly, the UK Cross-Border Insolvency Regulations 2006, which implement the UNCITRAL Model Law on Cross-Border Insolvency in the United Kingdom, provide that a foreign (i.e., non-European) court may have jurisdiction where any English company has its COMI in such foreign jurisdiction, or where it has an "establishment" (being a place of operations in such foreign jurisdiction, where it carries out non-transitory economic activities with human means and assets or services). To the extent that the UK Cross-Border Insolvency Regulations 2006 conflict with an obligation of the United Kingdom under the Recast Insolvency Regulation, the requirements of the Recast Insolvency Regulation will prevail.

Formal insolvency proceedings under the laws of England and Wales may be initiated in a number of ways, including by the company or a creditor making an application for administration in court, the company (or its directors) or the holder of a "qualifying floating charge" (discussed below) making an application for administration out of court, or by a creditor filing a petition to wind up the company or the company resolving to do so (in the case of a liquidation). The following is a brief description of certain aspects of English insolvency law relating to certain limitations on the Notes Guarantees and the security interests over the Collateral. The application of these laws could adversely affect investors, their ability to enforce their rights under the Notes Guarantees and/or the Collateral securing the Notes and therefore may limit the amounts that investors may receive in an insolvency of any English Obligor.

### *Administration*

The Insolvency Act 1986, as amended by the Enterprise Act 2002 (the "**Insolvency Act**") empowers English courts to make an administration order in respect of an English company or a company with its COMI in England. Subject to specific conditions, a court can make an administration order if the court is satisfied that the relevant company is or is likely to become "unable to pay its debts" and that the administration order is reasonably likely to achieve the purpose of administration. Pursuant to section 123 of the Insolvency Act a company is unable to pay its debts if it is insolvent on a "cash flow" basis (unable to pay its debts as they fall due) or if it is insolvent on a "balance sheet" basis (the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities). Such insolvency is presumed if, among other matters, the company fails either to satisfy a creditor's statutory demand for a debt exceeding £750 within 21 days of service or to satisfy in full or in part a judgment debt (or similar court order). Without limitation and subject to specific conditions, an English company, the directors of such company or the holder of a qualifying floating charge (discussed below), where the floating charge has become enforceable, may also appoint an administrator out of court. The purpose of an administration is comprised of three objectives that must be looked at successively: rescuing the company as a going concern or, if that is not reasonably practicable, achieving a better result for the company's creditors as a whole than would be likely upon immediate liquidation or, if neither of those objectives is reasonably practicable, and the interests of the creditors as a whole are not unnecessarily harmed thereby, realizing property to make a distribution to one or more secured or preferential creditors.

The rights of creditors, including secured creditors, are curtailed in an administration pursuant to the statutory moratorium imposed under the Insolvency Act. Upon the appointment of an administrator, no step may be taken to enforce security over the company's property except with the consent of the administrator or permission of the court. The same requirements for consent or permission apply to the institution or continuation of legal process (including legal proceedings, execution, distress and diligence) against the company or property of the company. In either case, a court will consider discretionary factors in determining any application for leave in light of the hierarchy of statutory objectives of administration described above.

Accordingly, if any of the Issuer, the Guarantors or the providers of Collateral were to enter into administration, the Notes, the Notes Guarantees and the Collateral, as applicable, could not be enforced against that company while it was in administration without the permission of the court or consent of the administrator. There can be no assurance that the Trustee, or the Security Agent, as applicable, would obtain this permission of the court or consent of the administrator.

In addition, while an administrator is in office, the powers of the board of directors of the Issuer, the Guarantors or the providers of Collateral, as the case may be, (save those that do not interfere with the exercise of that administrators' powers, and those permitted by the administrator) are suspended, and an administrator is given wide powers to conduct the business and, subject to certain requirements under the Insolvency Act , dispose of the property of a company in administration (including property subject to a floating charge).

However, the general prohibition against enforcement by secured creditors without consent of the administrator or permission of the court, and the administrator's powers with respect to property subject to a floating charge, does not apply to any security interest created or arising under a financial collateral arrangement within the meaning of the Financial Collateral Agreements (No. 2) Regulations 2003 (SI 2003/3226) (U.K.) (the "**Financial Collateral Regulations**"). A financial collateral arrangement includes (subject to certain other conditions) a security interest over financial collateral (including a floating charge, a pledge, a mortgage, a fixed charge or a lien) in a company, where both the collateral provider and collateral taker are non-natural persons. If an arrangement qualifies as a financial collateral arrangement under the Financial Collateral Regulations certain modifications or exclusions to English insolvency law apply which remove restrictions on enforcing security, disapply provisions relating to the order of payment of creditors and prohibit avoidance by the insolvency office-holder of the financial collateral arrangement in certain situations.

***Administrative receivership***

If a company grants a "qualifying floating charge" to a party for the purposes of English insolvency law, that party will be able to appoint an administrative receiver provided the qualifying floating charge pre-dates September 15, 2003 or falls within one of the exceptions under the Insolvency Act to the prohibition on the appointment of administrative receivers. In order to constitute a qualifying floating charge for these purposes, the floating charge must be created by an instrument which (a) states that the relevant statutory provision applies to it; (b) purports to empower the holder to appoint an administrator of the company; or (c) purports to empower the holder to appoint an administrative receiver within the meaning given by section 29(2) of the Insolvency Act. A party will be the holder of a qualifying floating charge if it holds one or more debentures of the company secured: (a) by a qualifying floating charge which relates to the whole or substantially the whole of the company's property; (b) by a number of qualifying floating charges which together relate to the whole or substantially the whole of the company's property; or (c) by charges and other forms of security which together relate to the whole or substantially the whole of the company's property and at least one of which is a qualifying floating charge. The most relevant exception to the prohibition on the appointment of an administrative receiver is the exception relating to "capital market arrangements" (as defined in paragraph 1 of Schedule 2A to the Insolvency Act), which may apply if the issue of the Notes creates a debt of at least £50.0 million for the relevant company during the life of the arrangement and the arrangement involves the issue of a "capital market investment" (which is defined in the Insolvency Act, and is generally a rated, listed or traded debt instrument).

If an administrative receiver has been appointed, an administrator can only be appointed by the court (and not by the company, its directors or the holder of a qualifying charge using the out of court procedure) and then only if the person who appointed the administrative receiver consents or the court considers that the security pursuant to which the administrative receiver was appointed is invalid. If an administrator is appointed, any administrative receiver will vacate office, and any receiver of part of the company's property must resign if required to do so by the administrator.

***Fixed charge receivership***

A fixed charge receiver (as opposed to an administrative receiver) may be appointed over some or all of the assets secured by a fixed charge in accordance with the terms of a security document creating a fixed charge or (in limited circumstances) pursuant to statute.

If appointed under the terms of a security agreement, grounds for appointment under the terms of the charge (such as a default) must exist and the charging company must have failed to satisfy the demand made for an appointment to take place. A fixed charge receiver can be appointed in parallel to a liquidator. An administrator may require a fixed charge receiver to vacate office unless that fixed charge receiver was appointed under a charge which falls within the definition of a "security financial collateral arrangement", as per regulation 8(4) of the Financial Collateral Regulations.

The primary duty of the fixed charge receiver is to realize the assets over which (s)he is appointed, meaning (s)he owes an over-riding duty of care to the appointor. This contrasts with the duty of an administrator, who performs their duties in the interests of a company's creditors as a whole. In other words, receivership is a proprietary remedy whereas administration is a collective procedure. In realizing the charged assets, the receiver will need to take reasonable care to obtain the best price obtainable in the circumstances. In doing so, the fixed charge receiver will be entitled to a statutory indemnity in respect of any liabilities from the realizations made of the assets of the company (and may also have the benefit of a contractual indemnity from the appointor).

To the extent the receiver has been appointed under a crystallized floating charge, amounts will be deducted from the proceeds of the realization of the charged assets to pay the Prescribed Part and any preferential creditors (see "Priority on insolvency" below).

***Liquidation/winding-up***

Liquidation is a company dissolution procedure under which the assets of a company are realized and distributed by the liquidator to creditors and (if applicable) members in the statutory order of priority prescribed by the Insolvency Act. Once the liquidator has completed this task, the company is dissolved and removed from the register of companies. There are two forms of winding-up: (i) compulsory liquidation, by order of the court; and (ii) voluntary liquidation, by resolution of the company's members, and which is in turn divided into members' voluntary liquidation ("**MVL**") and creditors' voluntary liquidation ("**CVL**"). The primary ground for the compulsory winding-up of an insolvent company is that it is unable to pay its debts (as described above).

The effect of a compulsory winding-up differs in a number of respects from that of a voluntary winding-up. In a compulsory winding-up, under section 127 of the Insolvency Act, any disposition of the relevant company's property made after the commencement of the winding-up is, unless sanctioned by the court, void. However, this will not apply to any property or security interest subject to a disposition or otherwise arising under a financial collateral arrangement under the Financial Collateral Regulations and will not prevent a close-out netting provision taking effect in accordance with its terms. Subject to certain exceptions, when an order is made for the winding-up of a company by the court, it is deemed to have commenced from the time of the presentation of the winding-up petition. Once a winding-up order is made by the court, a stay of all proceedings against the company will be imposed. No legal action may be continued or commenced against the company without permission of the court.

In the context of a voluntary winding-up however, there is no equivalent to the retrospective effect of a winding up order; the winding up commences on the passing of the resolution to wind up. As a result, there is no equivalent of section 127 of the Insolvency Act for a voluntary winding-up. There is also no automatic stay in the case of a voluntary winding-up—it is for the liquidator, or any creditor or shareholder of the company, to apply for a stay. This is important because, in the absence of a stay being obtained, it means secured creditors for example can go ahead and enforce their security.

A MVL is a solvent liquidation that is controlled by the shareholders. It commences when the shareholders pass a special resolution to place the company into liquidation and there is no involvement by the court. Not more than five weeks prior to the making of the winding up resolution, the directors must swear a statutory declaration of solvency stating that, after having made full enquiry into the company's affairs, they have formed the opinion that it will be able to pay its debts, including interest and the costs of the MVL process, within a stated period not exceeding 12 months from the start of the liquidation.

A CVL is also commenced by the shareholders resolving to place the company into liquidation and has no court involvement. In contrast to an MVL, however, the directors do not swear a statutory declaration of solvency for a CVL (meaning the company can be solvent or insolvent). If the creditors choose a different person to act as liquidator from the shareholders, the creditors' choice will prevail.

A liquidator has, among other things, the power to bring or defend legal proceedings on behalf of the company, to carry on the business of the company as far as it is necessary for its beneficial winding up, to sell the company's property and execute documents in the name of the company and to challenge antecedent transactions.

***Priority on insolvency***

With the exception of the Prescribed Part (as defined below), distributions generally cannot be made to a class of creditors until the claims of the creditors in a prior ranking class have been paid in full. Unless creditors have agreed otherwise, distributions are made on a *pari passu* basis, that is, the assets are distributed in proportion to the debts due to each creditor within a class.

The general priority on insolvency is as follows (in descending order of priority):

- First ranking: holders of fixed charge security (but only to the extent the value of the secured assets covers that indebtedness) and creditors with a proprietary interest in assets in the possession (but not full legal and beneficial ownership) of the debtor but only with respect to the assets in which they have a proprietary interest;
- Second ranking: expenses of the insolvent estate (there are statutory provisions setting out the order of priority in which expenses are paid);

- Third ranking: preferential creditors. Ordinary preferential debts include (but are not limited to) debts owed by the insolvent company in relation to: (i) contributions to occupational and state pension schemes; (ii) wages and salaries of employees for work done in the four months before the insolvency date, up to a maximum of £800 per person; (iii) holiday pay due to any employee whose contract has been terminated, whether the termination takes place before or after the insolvency date; and (iv) bank and building deposits eligible for compensation under the Financial Services Compensation Scheme ("**FSCS**") up to the statutory limit. Secondary preferential debts include bank and building deposits eligible for compensation under the FSCS to the extent that claims exceed the statutory limit, and rank for payment after the discharge of the ordinary preferential debts. The UK government has confirmed its intention in the Finance Bill 2020 that from 1 December 2020 secondary preferential debts will include claims by HMRC in respect of taxes including VAT, PAYE income tax (including student loan repayments), employee NI contributions and Construction Industry Scheme deductions (but excluding corporation tax and employer NI contributions) which are held by the company on behalf of employees and customers. As between one another, all claims within each category rank equally;
- Fourth ranking: holders of floating charge security, according to the priority of their security. This would include any floating charge that was stated to be a fixed charge in the document that created it but which, on a proper interpretation, was rendered a floating charge. However, before distributing asset realizations to the holders of floating charges, the Prescribed Part (as defined below) must, subject to certain exceptions, be set aside for distribution to unsecured creditors;
- Fifth ranking:
  - firstly, provable debts of unsecured creditors (save where such creditors are deferred under section 74(2(f)) of the Insolvency Act) and any secured creditor to the extent of any unsecured shortfall, in each case including accrued and unpaid interest on those debts up to the date of commencement of the relevant insolvency proceedings. These debts rank equally among themselves unless there are subordination agreements in place between any of them. To pay the secured creditors any unsecured shortfall, the insolvency officeholder can only use realizations from unsecured assets, as secured creditors are not entitled to any distribution from the Prescribed Part unless the Prescribed Part is sufficient to pay out all unsecured creditors;
  - secondly, interest on the company's unsubordinated debts (at the higher of the applicable contractual rate and the official rate) in respect of any period after the commencement of liquidation, or after the commencement of any administration which either preceded such liquidation or which were converted into a liquidating administration. However, in the case of interest accruing on amounts due under the Notes or the Notes Guarantees, such interest due to the holders of the Notes may, if there are sufficient realizations from the secured assets, be discharged out of such security recoveries; and
  - thirdly, non-provable liabilities, being liabilities that do not fall within any of the categories above and therefore are only recovered in the (unusual) event that all categories above are fully paid.
- Sixth ranking: shareholders. If after the repayment of all unsecured creditors in full, any remaining funds exist, these will be distributed to the shareholders of the insolvent company.

Subordinated creditors are ranked according to the terms of the subordination (and *provided that* such terms do not contravene the Insolvency Act).

An insolvency practitioner of a company will generally be required to ring-fence a certain percentage of the proceeds of enforcement of floating charge security for the benefit of unsecured creditors (after making full provision for preferential creditors and expenses out of floating charge realizations) (the "**Prescribed Part**"). This ring-fence applies to 50% of the first £10,000 of floating charge realizations and 20% of the remainder over £10,000, with a maximum aggregate cap of £800,000 (except where the company's net property is available to be distributed to the holder of a first-ranking floating charge created before 6 April 2020, in which case the maximum aggregate cap is £600,000). The Prescribed Part must be made available to unsecured creditors unless the cost of doing so would be disproportionate to the resulting benefit to creditors.

***Foreign currency***

Under English insolvency law, where creditors are asked to submit formal proofs of claim for their debts, the office-holder will convert all foreign currency denominated proofs of debt into pound sterling at a single rate for each currency determined by the office-holder by reference to the exchange rates prevailing on the relevant date. This provision overrides any agreement between the parties. If a creditor considers the rate to be unreasonable, they may apply to the court.

Accordingly, in the event that an English Obligor goes into liquidation or administration, holders of the Notes may be subject to exchange rate risk between the date on which such English Obligor goes into liquidation or administration and receipt of any amounts to which such holders of the Notes may become entitled.

***Reviewable Transactions***

There are five principal provisions of the Insolvency Act under which transactions entered into prior to a company's insolvency are capable of being set aside. They are: (i) transactions at an undervalue (section 238); (ii) preferences (section 239); (iii) avoidance of certain floating charges (section 245); (iv) transactions defrauding creditors (section 423); and (v) extortionate credit transactions (section 244).

These provisions all apply where the company has gone into an English liquidation or administration, with the exception of section 423 which can be invoked even if the company is not in insolvency proceedings.

*Relevant Time*

Whether a transaction at an undervalue was entered into, a preference was given or an invalid floating charge was granted will depend in part on whether that action took place at the "relevant time."

In the case of a preference or a transaction at an undervalue, the relevant time is deemed to be:

a) if the preference was in favor of a connected person (other than by reason of being an employee), and in the case of all transactions at an undervalue, the period of two years ending with the onset of the company's insolvency (as defined below);

b) if the preference is not given in favor of a connected person, the period of 6 months ending with the onset of the company's insolvency;

c) at a time between the making of an administration application in respect of the company and the making of an administration order on that application; or

d) at a time between the filing of a notice of intention to appoint an administrator and the making of an appointment,

provided that at the time the transaction at an undervalue was entered into or the preference was given the company was unable to pay its debts or became unable to pay its debts as a result of the transaction at an undervalue or the transaction in respect of which the preference was given. If the transaction at an undervalue is entered into in favor of a connected party, the company will be assumed to have been unable to pay its debts or became unable to pay its debts as a result of the transaction.

In the case of a floating charge which is being challenged, the relevant time is deemed to be:

*a)* if the floating charge is created in favor of a connected person, the period of two years ending with the onset of the company's insolvency (as defined below);

*b)* if the charge is not created in favor of a connected person, the period of 12 months ending with the onset of the company's insolvency;

*c)* at a time between the making of an administration application in respect of the company and the making of an administration order on that application; or

*d)* at a time between the filing of a notice of intention to appoint an administrator and the making of an appointment,

provided that at the time the charge was granted the company was unable to pay its debts or became unable to pay its debts as a result of the transaction in respect of which the floating charge was granted.

*Connected persons*

If the given transaction at an undervalue, preference, or invalid floating charge has been entered into by the company with a "connected person", then particular specified time periods and presumptions will apply to any challenge by an administrator or liquidator (as set out below).

A "connected person" of a company granting a security interest or guarantee for the purposes of transactions at an undervalue, preferences or invalid floating charges is a party who is: (a) a director of the company; (b) a shadow director; (c) an associate of such director or shadow director; or (d) an associate of the relevant company.

The term "associate" is very widely defined; key "associates" are defined below.

A party is an associate of an individual if they are: (a) a relative of the individual; (b) the individual's husband, wife or civil partner; (c) a relative of the individual's husband, wife or civil partner; or (d) the husband, wife or civil partner of a relative of the individual or the individual's husband, wife or civil partner.

A person is an associate of any person with whom he is in partnership and of the husband, wife or civil partner or relative of any individual with whom he is in partnership.

A party is associated with a company if they are employed by that company (and in this case directors of a company are treated as employees of that company). A person is also an associate of any person whom he employs. A company is an associate of another person if that person has control of it or if that person and persons who are his associates together have control of it.

A company is associated with another company if the same person has control of both companies, or a person has control of one and persons who are his associates, or he and persons who are his associates, have control of the other, or if a group of two or more persons has control of each company, and the groups either consist of the same persons or could be regarded as consisting of the same persons by treating (in one or more cases) a member of either group as replaced by a person of whom he is an associate.

A person is to be taken as having control of a company if the directors of the company or of another company which has control of it (or any of them) are accustomed to act in accordance with his directions or instructions, or he is entitled to exercise, or control the exercise of, one third or more of the voting power at any general meeting of the company or of another company which has control of it. Where two or more persons together satisfy either of these conditions, they are to be taken as having control of the company.

The potential grounds for challenge available under the English insolvency legislation that may apply to any security interest or guarantee granted by a company include, without limitation, the following described below.

*Transactions at an undervalue*

If a company goes into an English administration or liquidation and it has entered into a transaction at an undervalue, the court may, on the application of the insolvency officeholder, set the transaction aside.

A transaction will constitute a transaction at an undervalue if: (i) the transaction is at an undervalue (a gift or a transaction on terms that provide for the company to receive no consideration or a transaction for a consideration the value of which (in money or money's worth) is significantly less than the value (in money or money's worth) of the consideration provided by the company); (ii) the transaction took place within the relevant time; and (iii) the company was at the time of the transaction, or became, as a result of the transaction, unable to pay its debts within the meaning of section 123 of the Insolvency Act. (although there is a rebuttable presumption that the company was unable to pay its debts at the time of the transaction if the transaction is made to a connected person.

The court will not make an order in respect of a transaction at an undervalue if it is satisfied that: (i) the company which entered into the transaction did so in good faith and for the purposes of carrying on its business; and (ii) when it did so, there were reasonable grounds for believing that the transaction would benefit the company.

*Preferences*

If a company goes into an English administration or liquidation and it has granted a preference the court may, on the application of the insolvency officeholder, set the transaction aside.

A company gives a preference to a person if: (i) that person is one of the company's creditors, a surety or a guarantor for any of the company's debts or other liabilities; (ii) the company has done something, or has suffered something to be done which (in either case) has had the effect of putting that person into a position which, in the event that the company goes into insolvent liquidation, will be better than the position he would have been in if that thing had not been done; (iii) the company was influenced in deciding to give the preference by a desire to put the creditor in a better position than he would have been in if the thing had not been done or suffered to be done (this desire is rebuttably presumed in the case of connected persons); (iv) the preference was given within the relevant time; and (v) the company was at the time of the transaction, or became as a result of the transaction, unable to pay its debts within the meaning of section 123 of the Insolvency Act.

The courts have interpreted the desire to prefer on the part of the company as requiring a "positive wish to improve the creditor's position in the event of the company's insolvent liquidation" (Re Fairway Magazines Ltd [1993] BCLC 643). The courts have also held that where a company is only influenced by "proper commercial considerations" there will be no desire to prefer and therefore no voidable preference (Re MC Bacon Ltd (No. 1) [1990] BCLC 324).

*Voidable floating charges*

If a company goes into an English administration or liquidation, a floating charge created by that company over its property may be invalid if it was created in the relevant time. Where the transaction is with a Connected Person, this means within a period of two years before the onset of insolvency. In all other cases, this means within a period of twelve months before the onset of insolvency when the company was at the time of the transaction, or became as a result of the transaction, unable to pay its debts within the meaning of section 123 of the Insolvency Act.

This is the only requirement for setting aside the floating charge and, if met, the security is automatically invalid except to the extent of the aggregate of the value of so much of the consideration for the creation of the charge (as consists of money paid, goods or services supplied or debts discharged and interest thereon) supplied to the company at the time of, or after the creation of, the charge. No court action is required.

Section 245 of the Insolvency Act does not apply to a floating charge that has been created under a financial collateral arrangement within the meaning of the Financial Collateral Regulations.

*Transactions defrauding creditors*

A transaction entered into by a company can be set aside if: (i) the transaction is at an undervalue (see above); and (ii) it was entered into for the purpose of putting assets beyond the reach of a person who may make a claim against the company or otherwise prejudicing his interests.

It is not necessary for the company to be in insolvency proceedings and unlike a transaction at an undervalue or a preference, the claim is not restricted to the officeholder. This provision may be used by any person who claims to be a "victim" of the transaction (with the leave of the court if the company is in liquidation or administration) and is not therefore limited to liquidators or administrators and, subject to certain conditions, the UK Financial Conduct Authority and the UK Pensions Regulator. The Insolvency Act also does not prescribe a set time limit within which to bring the action. The fact that the transaction was not entered into with a dishonest motive is no defense to the claim. It will suffice that the company's subjective purpose was to place the assets out of the reach of creditors or a particular creditor. There is no need to show that the intention was the sole purpose and a substantial purpose is likely to suffice.

If the court determines that the transaction was a transaction defrauding creditors, the court can make such orders as it thinks fit to restore the position to what it would have been if the transaction had not been entered into and to protect the interests of the victims of the transaction. The relevant court order may affect the property of, or impose any obligation on, any person, whether or not he is the person with whom the transaction was entered into. However, such an order will not prejudice any interest in property which was acquired from a person other than the debtor company in good faith, for value and without notice of the relevant circumstances, and will not require a person who received a benefit from such transaction in good faith, for value and without notice of the relevant circumstances to pay any sum unless such person was a party to the transaction.

*Extortionate credit transactions*

If a company goes into administration or liquidation and it has entered into an extortionate credit transaction, the court may, on the application of the insolvency officeholder, set the transaction aside.

A transaction is extortionate if, having regard to the risk accepted by the person providing the credit, either: (i) its terms require grossly exorbitant payments to be made (whether unconditionally or in certain contingencies) in respect of the provision of the credit; or (ii) it otherwise grossly contravenes ordinary principles of fair dealing.

The court can make an order in relation to extortionate credit transactions entered into by the company up to three years before the day on which the company entered into administration or went into liquidation (which is slightly different to the concept of the onset of insolvency used in relation to transactions at an undervalue and preferences).

*Orders*

In the case of any of the above applying and where a court order is required (i.e., not section 245), the court has very wide statutory powers to make such orders as it thinks fit to restore the position to that which existed before the transaction was entered into.

***Onset of insolvency***

The date of the onset of insolvency, for the purposes of transactions at an undervalue, preferences and invalid floating charges, depends on the insolvency procedure in question.

In administration, the onset of insolvency is the date on which: (a) the court application for an administration order is issued; (b) the notice of intention to appoint an administrator is filed at court; or (c) otherwise, the date on which the appointment of an administrator takes effect.

In a compulsory liquidation the onset of insolvency is the date the winding-up petition is presented to court, whereas in a voluntary liquidation it is the date the company passes a winding-up resolution. Where liquidation follows administration, the onset of insolvency will be the same as the initial administration.

***Recharacterization of fixed security interests***

There is a possibility that a court could find that any of the fixed security interests expressed to be created by the Security Documents governed by English law properly take effect as floating charges as the description given to them as fixed charges is not determinative. Whether the purported fixed security interests will be upheld as fixed security interests rather than floating security interests will depend, among other things, on whether the secured party has the requisite degree of control over the chargor's ability to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the security holder in practice. Where the chargor is free to deal with the assets that are the subject of a purported fixed charge in its discretion and without the consent of the chargee, the court would be likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge.

While recharacterization is a risk for all attempts to create fixed security, it is a particular risk in relation to attempts to create fixed security over receivables. This is because even if a company purports to grant fixed security over its receivables, it will likely retain, in practice, the ability to deal with its receivables in its discretion and without the consent of the chargee.

If any fixed security interests are recharacterized as floating security interests, the claims of (i) any unsecured creditors of the relevant English Obligor in respect of that part of the chargor's net property which is ring fenced (see explanation about ring fencing above); and (ii) certain statutorily defined preferential creditors of the chargor may have priority over the rights of the Security Agent to the proceeds of enforcement of such security. In addition, as mentioned above, the expenses of a liquidation or administration would also rank ahead of the claims of the Security Agent as floating charge holder.

***Limitation on Enforcement***

The grant of a Notes Guarantee or Collateral by any of the chargors in respect of the obligations of another group company must satisfy certain legal requirements. More specifically, such a transaction must be allowed by the respective company's memorandum and articles of association. To the extent that the above do not allow such an action, there is the risk that the grant of the guarantee and the subsequent security can be found to be void and the respective creditor's rights unenforceable. Some comfort may be obtained for third parties if they are dealing with an English Obligor in good faith, however the relevant legislation is not without difficulties in its interpretation. Further, corporate benefit must be established for each English Obligor in question by virtue of entering into the proposed transaction. Section 172 of the Companies Act 2006 provides that a director must act in the way that he considers, in good faith, would be most likely to promote the success of the English Obligor for the benefit of its members as a whole. If the directors enter into a transaction where there is no or insufficient commercial benefit, they may be found as abusing their powers as directors and such a transaction may be vulnerable to being set aside by a court.

***Security over shares***

Security over shares granted by an English Obligor or over shares of an English Obligor are, under English law, equitable charges, not legal charges. An equitable charge arises where a chargor creates an encumbrance over the shares in favour of the chargee and/or transfers the beneficial interest in the shares to the chargee but retains legal title to the shares. Remedies in relation to equitable charges may be subject to equitable remedies or are otherwise at the discretion of the court.

***Security over bank accounts***

With respect to any security over bank accounts (each an "**Account Charge**") granted by an English Obligor, the banks with which some of those accounts are held (each an "**Account Bank**") may hold a right at any time (at least prior to them being notified of a crystallization event under the Account Charge) to exercise the rights of netting or set-off to which they are entitled under their cash pooling or other arrangements with that English Obligor. As a result, and if the security granted over those accounts is merely a floating (rather than fixed) charge, the collateral constituted by those bank accounts will be subject to the relevant Account Bank's rights to exercise netting and set-off with respect to the bank accounts charged under the relevant Account Charge. Once the floating charge has crystallized and converted into a fixed charge (as it would on enforcement or the occurrence of certain insolvency events with respect to the relevant English Obligor) and the Account Bank has been formally notified of that fact, the collateral will no longer be subject to the relevant Account Bank's netting and set-off rights unless the Account Bank has expressly reserved set-off rights in such circumstances.

***Company voluntary arrangements***

Pursuant to Part I of the Insolvency Act, a company (by its directors or its administrator or liquidator as applicable) may propose a company voluntary arrangement to the company's shareholders and creditors which entails a compromise, or other arrangement, between the company and its creditors, typically a rescheduling or reducing of the company's debts. *Provided that* the proposal is approved by the requisite majority of creditors by way of a decision procedure, it will bind all unsecured creditors who were entitled to vote on the proposal. A company voluntary arrangement cannot affect the right of a secured creditor to enforce its security, except with its consent.

In order for the company voluntary arrangement proposal to be passed, it must be approved by at least 75% (by value) of the company's creditors who respond in the decision procedure, and no more than 50% (by value) of unconnected creditors may vote against it. Secured debt cannot be voted in a company voluntary arrangement. However, a secured creditor may vote to the extent that it is undersecured. A secured creditor who proves in the company voluntary arrangement for the whole of its debt may be deemed to have given up its security.

***Scheme of arrangement***

A scheme of arrangement is a statutory procedure, pursuant to Part 26 of the Companies Act 2006, which permits a company to enter into an arrangement or compromise with its members or creditors (or any class of them).

The English courts have jurisdiction to sanction a scheme of arrangement that effects a compromise of a company's liabilities with respect to its creditors (or any class of its creditors) where such company (i) is liable to be wound-up under the Insolvency Act and (ii) has "sufficient connection" to the English jurisdiction.

In practice, a non-English company is likely to satisfy the first limb of this test and the second limb has been found to be satisfied where, amongst other things, the company's COMI is in England, the company's finance documents are English law governed, or the company's finance documents have been amended in accordance with their terms to be governed by English law. Ultimately, each case will be considered on its particular facts and circumstances so previous cases will not necessarily determine whether or not any of the grounds of the second limb are satisfied in the present case.

Before the court considers the sanction of a scheme of arrangement at a hearing where the fairness and reasonableness of the scheme of arrangement will be considered, affected creditors will vote on a detailed debt compromise. Such compromise can be proposed by the company or its creditors. If 75% or more by value and over 50% by number of those creditors present and voting at the creditor meeting(s) vote in favor of the proposed compromise, irrespective of the terms and approval thresholds contained in the finance documents, that compromise will, subject to the sanction of the court, be binding on all affected creditors, including those affected creditors who did not participate in the vote on the scheme of arrangement and those who voted against the scheme of arrangement. In certain circumstances, a scheme of arrangement can also result in the release of guarantees in order to ensure the effectiveness of the compromise.

***Proposed reforms to the English insolvency regime***

On 20 May 2020 the UK Government presented the Corporate Insolvency and Governance Bill (the "**CIGB**") to Parliament. The Explanatory Notes to the CIGB state that its purpose is, among other things, "to introduce greater flexibility into the insolvency regime, allowing companies breathing space to explore options for rescue whilst supplies are protected, so they can have the maximum chance of survival". If enacted, the CIBG will affect the foregoing analysis and that analysis should be read bearing in mind the factors outlined below and the passage of the draft legislation into law in due course. The CIGB contains three key measures to achieve that purpose that may be of particular relevance to the holders of the Notes.

First, the CIGB provides for a new, free-standing moratorium for UK companies, which is intended to allow a company in financial distress a breathing space in which to explore its rescue and restructuring options free from creditor action. The moratorium will be overseen by an insolvency practitioner acting as a monitor although the directors will remain in charge of running the business on a day-to-day basis. Certain types of financial services companies (which may include the Issuer and/or one or more of the Guarantors) will be ineligible for the moratorium, including insurance companies (which includes, broadly, any company that carries on the regulated activity of effecting or carrying out contracts of insurance) and parties to capital market arrangements.

Secondly, the CIGB provides for a new restructuring plan procedure which is intended broadly to follow the process for a scheme of arrangement (approval by creditors and sanction by the court), but which will additionally include the ability for a company to bind classes of creditors (and, if appropriate, members) to a restructuring plan, where not all classes have voted in favor of it (known as cross-class cram down). The compromise or arrangement proposed under the plan must be sanctioned by the court and will be subject to meeting certain conditions. As is the case with a scheme of arrangement, the court will always have absolute discretion over whether to refuse to sanction a restructuring plan. For example, even if the conditions of cross-class cram down are met, the court may refuse to sanction a restructuring plan on the basis it is not just and equitable. The Secretary of State may by regulations exclude "authorised persons" or company of a "specified" description as defined in section 31 Financial Services and Markets Act 2000 (which may include the Issuer and/or one or more of the Guarantors and/or creditors of the Issuer and/or one or more of the Guarantors).

Thirdly, the CIGB provides for temporary restrictions on certain types of enforcement action in respect of unpaid debts. Specifically, the CIGB would, if enacted: (i) prevent any statutory demands made against companies in the period between 1 March 2020 and 30 June 2020 or one month after the coming into force of the CIGB, whichever is the later, from being used as the basis of a winding-up petition at any point on or after 27 April 2020; and (ii) in respect of any winding-up petition presented in the period from 27 April 2020 to 30 June 2020 or one month after the coming into force of the CIGB, whichever is the later, create an additional condition that must be satisfied before a creditor can obtain a winding-up order against a company on the grounds that it is unable to pay its debts, namely that any creditor asking the court to make a winding-up order on those grounds must first demonstrate to the court that the company's inability to pay its debts was not caused by the coronavirus pandemic.

**Republic of Ireland**

*Insolvency*

The Arachas Guarantor is incorporated under the laws of Ireland ("**RoI**") and has its registered offices in Ireland (the "**RoI Guarantor**"). Under the Recast Insolvency Regulation, the RoI Guarantor's centre of main interest (**RCOMI**") is presumed to be the place of its registered office (i.e. Ireland) in the absence of proof to the contrary and provided that the RoI Guarantor did not move its registered office within the three months prior to a request to open insolvency proceedings.

As the RoI Guarantor's COMI is presumed to be Ireland, any main insolvency proceedings in respect of the RoI Guarantor would fall within the jurisdiction of the courts of Ireland. As to what might constitute ''proof to the contrary'' regarding the location of a company's COMI, the key decision is that in Re Eurofood IFSC Ltd ((2004) 4 IR 370 (Irish High Court); (2006) IESC 41 (Irish Supreme Court); (2006) Ch 508; ECJ Case C 341/04 (European Court of Justice)), given in respect of the equivalent provision in the previous EU Insolvency Regulation (Regulation (EC) No. 1346/2000). In that case, on a reference from the Irish Supreme Court, the European Court of Justice concluded that ''factors which are both objective and ascertainable by third parties'' would be needed to demonstrate that a company's actual situation is different from that which the location of its registered office is deemed to reflect. For instance, if a company with its registered office in Ireland does not carry on any business in Ireland, that could rebut the presumption that the company's COMI is in Ireland. However, if a company with its registered office in Ireland does carry on business in Ireland, the fact that its economic choices are controlled by a parent undertaking in another jurisdiction would not, of itself, be sufficient to rebut the presumption.

If the RoI Guarantor's COMI was found to be in another EU jurisdiction (other than Denmark) and not in Ireland, main insolvency proceedings would be opened in that jurisdiction instead.

RoI insolvency laws and other limitations could limit the enforceability of a guarantee provided by the RoI Guarantor and any security interests granted by the RoI Guarantor.

The following is a brief description of certain aspects of RoI insolvency laws relating to certain limitations on the Guarantees and security interests in respect of the Notes, insofar as they are provided by the RoI Guarantor.
The application of these laws could adversely affect your ability to enforce your rights under the Notes Guarantees or the Collateral securing the Notes and limit any amounts that you may receive. The Ardonagh Group has also analysed the typical forms of security interests in RoI, which are commonly created in RoI over a company's assets, namely fixed and floating charges.

*Fixed and floating charges*

Under RoI law, there are a number of ways in which fixed charge security has an advantage over floating charge security: (a) an examiner appointed to the charging company can deal with floating charge assets; (b) a fixed charge, even if created after the date of a floating charge, may have priority as against the floating charge over the charged assets; (c) general costs and expenses (including the liquidator's remuneration) properly incurred in a winding-up are payable out of the company's assets, and in certain circumstances, in priority to floating charge claims; (d) until the floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of business, meaning that such assets can be effectively disposed of by the charging company so as to give a third-party good title to the assets free of the floating charge and so as to give rise to the risk of security being granted over such assets in priority to the floating charge security; (e) floating charge security is subject to certain challenges under Irish insolvency law (please see *"—Challenges to guarantees and security—Grant of floating charge*"); and (f) floating charge security is subject to the claims of preferential creditors in a winding-up (such as certain taxes, occupational pension scheme contributions, salaries owed to employees (subject to a cap per employee) and holiday pay owed to employees).

Under RoI law there is a possibility that a court could recharacterize fixed security interests purported to be created by a security document as floating charges; the description given to security interests by the parties is not determinative. Whether security interests labelled as fixed will be upheld as fixed security interests rather than floating security interests will depend on, among other things, whether the chargee has the requisite degree of control over the relevant chargor's ability to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the chargee in practice. Where the chargor is free to deal with the secured assets without the consent of the chargee prior to crystallization, the court is likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge in the security documents. In addition, to the extent that any of the assets which are expressed to be subject to a fixed charge are not specifically identified, the court may hold that such assets are, in fact, subject to a floating charge.

*Preferred creditors under RoI Law*

Under Section 621 (Preferential Payments in a winding up) ("**Section 621**") of the Companies Act 2014 (as amended, the "**Companies Act**") in a winding-up of an RoI company certain preferential debts are required to be paid in priority to all debts other than those secured by a fixed charge. Preferential debts therefore have priority over debts secured by a floating charge. If the assets of the relevant company available for the payment of general creditors are insufficient to pay the preferential debts, they are required to be paid out of the property subject to the floating charge. Section 621 was amended by the Companies (Accounting) Act 2017 (with effect from 9 June 2017) with the effect that a charge created as a floating charge by a company will continue to rank as a floating charge on a winding up of that company, even if that floating charge has crystallised. Under Section 440 (Preferential Payments when receiver appointed under floating charge) of the Companies Act, the holder of a floating charge, or a receiver appointed by such a holder, who takes possession of property subject to the floating charge when the company is not in the course of being wound up, is required to pay the preferential debts out of that property in priority to principal and interest secured by the floating charge. Such preferential debts would comprise, among other things, any amounts owed in respect of local rates and certain amounts owed to the RoI Revenue Commissioners for income/corporation/capital gains tax, value added tax (VAT), employee related taxes, social security and pension scheme contributions and remuneration, salaries and wages of employees and certain contractors and the expenses of liquidation.

In addition, there is a further limited category of super preferential creditors which take priority, not only over unsecured creditors and holders of floating security, but also over holders of fixed security. These super preferential claims include the remuneration, costs and expenses properly incurred by any examiner of the company which may include any borrowings made by an examiner to fund the company's requirements for the duration of his appointment that have been approved by the RoI courts, (see "*—Examinership*" below) and any capital gains tax payable on the disposition of an asset of the company by a liquidator, receiver or mortgagee in possession as well as, in certain circumstances, PAYE and VAT arrears where a fixed charge over book debts is created.

Furthermore, and as referred to above (see "*—Fixed and Floating Charges*"), in the case of the application of moneys arising from the realization of secured assets that are subject to a floating charge, or in a winding-up, the costs of the liquidation and the liquidator's fees will take priority over the claims of floating chargeholders in respect of relevant assets.

**Examinership**

Examinership is a court procedure available under the Companies Act to facilitate the survival of the whole or part of an RoI company the whole or any part of its undertaking through the appointment of an examiner and the formulation by the examiner of proposals for a compromise or scheme of arrangement. In circumstances where an RoI company is or is likely to be unable to pay its debts, then that company, the directors of that company, a contingent, prospective or actual creditor of that company, or shareholders of that company holding, at the date of presentation of the petition, not less than one-tenth of the paid-up voting share capital of that company are each entitled to petition the court for the appointment of an examiner to that company. Provided the company can demonstrate that all or part of its undertaking has a reasonable prospect of surviving as a going concern, and can satisfy certain other tests, the ROI company may be placed under the protection of the relevant Irish court (the "**Court**") for a period of time whilst its affairs are investigated by an independent examiner whose function is to see whether the company is capable of being rescued and to supervise the restructuring process.

Where the Court appoints an examiner to a company, it may, at the same or any time thereafter, make an order appointing the examiner to be examiner for the purposes of the Companies Act to a related company of such company (which may, in certain circumstances, include related companies that are not incorporated under the laws of ROI). Once confirmed by the Court the scheme is binding on the company and all its members and creditors. During the protection period, the day-to-day business of the company remains under the control of the directors of the company, subject to certain rights of the examiner to apply to the Court for an order transferring some or all of the powers of the directors to the examiner.

Once appointed an examiner must, as soon as practical, formulate proposals for a compromise or scheme of arrangement in relation to the company to which he has been appointed. Typically, a scheme of arrangement will involve the writing down of creditors' claims (both secured and unsecured, contingent and actual) that are in existence at the date of the petition and the introduction into the company of new funds. The examiner has the power to set aside contracts and arrangements entered into by the company after this appointment and, in certain circumstances, can avoid a negative pledge given by the company prior to this appointment. Furthermore, the examiner may sell assets of the company which are the subject of security. Where such assets are the subject of a fixed security interest, the examiner must account to the holders of the fixed security interest for the amount realized and discharge the amount due to the holders of the fixed security interest out of the proceeds of the sale. Having formulated his proposals, he must convene meetings of such classes of members and creditors as he thinks proper to consider acceptance of his proposals. The examiner must report to the Court on the outcome of his meetings within 35 days of his appointment, although the 35 day period can be extended by the Court. There is acceptance by creditors or by a class of creditors when a majority in number representing a majority in value of the claims represented at the meeting vote in favour of the proposals. The proposals must be confirmed by the Court if they are to become effective and the Court can confirm the proposals only if, *inter alia*: (a) at least one class of creditors whose interests or claims would be impaired by implementation of the proposals have accepted them; (b) the Court is satisfied that the proposals are fair and equitable in relation to any class of members or creditors that has not accepted them and whose interests and claims would be impaired by implementation; and (c) they are not unfairly prejudicial to the interests of any interested party.

Once confirmed by the Court, the proposals become binding on the company and all creditors (whether secured or unsecured) or the class or classes of creditors (whether secured or unsecured), as the case may be, affected by the proposals and their rights are accordingly modified.

For as long as a company is under the protection of the Court, no attachment, sequestration, distress or execution shall be put into force against the property or effects of the relevant company except with the consent of the examiner. Section 520 (Effect of petition to appoint examiner on creditors and others) of the Companies Act provides, among other things, that except with the consent of the examiner:

- where any claim against the company is secured by a mortgage, charge, lien or other encumbrance or a pledge of, on or affecting the whole or any part of the property, effects or income of the ROI company, no action may be taken to realise the whole or any part of such security (save in certain circumstances where the secured asset is located in another EU member state, and the secured party has rights in rem with respect to those assets as a matter of the laws of that member state);
- no receiver over any part of the property or undertaking of the ROI company shall be appointed (and if a receiver was appointed before the petition was presented, that receiver was unable to act); and
- no proceedings for the winding up of the company may be commenced and no resolution for winding up of the company may be passed (and no such resolution passed shall have any effect).

In addition, pursuant to Section 521 (Restriction on payment of pre-petition debts) of the Companies Act, no payment may be made by a company during the period of Court protection by way of satisfaction or discharge of the whole or a part of a liability incurred by the company before the date upon which the petition for the examiner's appointment was presented unless the independent expert's report under Section 511 (Independent expert's report) of the Companies Act that accompanied the petition recommended that all or part of that liability be discharged or satisfied, or such payment is authorised by the relevant Irish court (on application of the examiner or any interested party) where the relevant Irish court is satisfied that a failure to discharge or satisfy in whole or in part that liability would considerably reduce the prospects of the company or the whole or any part of its undertaking surviving as a going concern.

Where an examinership petition is presented in relation to a company, that company is deemed to be under the protection of the Court during the period beginning on presentation of the petition and ending 70 days later (which period may be extended by a further 30 days where the Court is satisfied that the examiner would not be able to present his report within 70 days, or by such further unlimited period as the Court may allow where the Court needs more time to consider the proposals contained in the examiner's final report). In the event of an appeal of the Court's decision, the protection period is likely to be further extended in order to allow the determination of the appeal.

Furthermore, the Court may order that an examiner shall have any of the powers of a liquidator appointed by the Court would have, which could include the power to apply to have transactions disclaimed if the related contract amounted to an unfair preference.

**Primary Risks for holders of notes in an examinership**

The primary risks to the holders of the Notes, under the laws of Ireland, if an examiner were appointed to the RoI Guarantor and/or to a company related to such an RoI company and where any amounts due under the Notes were unpaid, are as follows: (a) there may be a delay in enforcing the payment obligations of the RoI Guarantor in respect of the Notes and of any payment obligations contained in a guarantee given by any other related company subject to the examinership proceedings; (b) the potential for a compromise or scheme of arrangement being approved involving the writing down or rescheduling of the debt due by the RoI Guarantor to the holders of the Notes; (c) the potential for a compromise or scheme of arrangement being approved involving the writing down or rescheduling of any payment obligations owed to the holders of the Notes by a company related to the RoI Guarantor; (d) the potential for the examiner to seek to set aside any negative pledge prohibiting the creation of security or the incurring of borrowings by the RoI Guarantor to enable the examiner to borrow to fund the guarantor or issuer during the protection period; and (e) in the event that a scheme of arrangement is not approved in respect of the RoI company guarantor of the Notes and the guarantor subsequently goes into liquidation, the examiner's remuneration and expenses (including certain borrowings incurred by the examiner on behalf of the guarantor and approved by the RoI High Court) will take priority over the moneys and liabilities which from time to time are or may become due, owing or payable by it to the holders of the Notes.

**Challenges to guarantees and security**

There are circumstances under RoI insolvency law in which the granting by an RoI company of security and guarantees can be challenged. In most cases this will only arise if an examiner or a liquidator is appointed to the RoI company within a specified period (as set out in more detail below) of the granting of the security or giving of the guarantee and, in addition, the company was ''unable to pay its debts'' when the security interest was granted or when the guarantee was given or ''unable to pay its debts'' within the meaning of the Companies Act as a result.

The following potential grounds for challenge may apply to security interests and guarantees:

**Unfair preference**

Under Irish insolvency law, if an ROI company goes into liquidation, a liquidator may apply to the court to have certain transactions disclaimed if the related contract amounted to an unfair preference. Section 604 (Unfair preference: effect of winding up on antecedent and other transactions) of the Companies Act ("**Section 604**") provides that any conveyance, mortgage, delivery of goods, payment, execution or other act relating to property made or done by or against a company which is unable to pay its debts as they become due in favour of any creditor of the company or any person on trust for any such creditor, with a view to giving such creditor (or any surety or guarantor of the debt due to such creditor) a preference over the company's other creditors, shall be deemed to be an unfair preference of its creditors and be invalid accordingly if a winding up of the company commences within six months of the doing of the act and the company is, at the date of commencement of the winding up, unable to pay its debts (taking into account contingent and prospective liabilities). Where the creditor that has received the preference is a "connected person", the invalidation period is extended from six months to two years, and there will be a rebuttable presumption under law that there was an intention to unfairly prefer that creditor.

**Improperly transferred assets**

Under Section 608 (Power of the court to order return of assets which have been improperly transferred) of the Companies Act (**"Section 608**"), if it can be shown on the application of a liquidator, creditor or contributory of a company which is being wound up, to the satisfaction of the High Court, that any property of that company was disposed of (including a disposal by way of charge, security assignment or mortgage) and the effect of such a disposal was to "perpetrate a fraud" on the company, its creditors or members, the High Court may, if it deems it just and equitable to do so, order any person who appears to have ''use, control or possession'' of the property concerned, or of the proceeds of the sale or development of that property, to deliver it or them, or to pay a sum in respect of it to the liquidator on such terms as the High Court sees fit. The ability to use Section 608 to challenge the transfer of assets has been extended to receivers and examiners. Section 608 does not apply to a disposal that would constitute an unfair preference for the purposes of Section 604.

**Disclaimer of onerous contracts**

Under Section 615 (Disclaimer of onerous property in case of company being wound up) of the Companies Act, the liquidator of a company may, by the giving of notice, disclaim any onerous property of the company. "Onerous property" is defined to include any "unprofitable contract" and "any other property (of the company) which is unsaleable or not readily saleable by reason of its binding the possessor of it to the performance of any onerous act or to the payment of any sum of money."

**Grant of floating charge**

Under Section 597 (Circumstances in which floating charge is invalid) of the Companies Act, a floating charge is invalid if created in the period of twelve months (or two years if created in favour of a "connected person") ending with the date of commencement of the winding up of the company, and unless it can be proven that the company was solvent immediately after the creation of the charge. Such invalidity does not apply to money actually advanced or paid or the actual price or value of goods or services sold or supplied to the company at the time or after the creation of, and in consideration for, the charge together with interest at the appropriate rate.

**General**

If the RoI Guarantor becomes subject to an RoI law insolvency proceeding and that company has obligations to creditors that are treated under RoI law as senior relative to the company's obligations to the holders of the Notes, the holders of the Notes may suffer losses as a result of their subordinated status during such insolvency proceeding.

The validity and enforceability of a guarantee or security interest may be contested on the basis that it is prohibited under the relevant company's constitution. To the extent that the constitution does not allow such an action, there is the risk that the grant of the guarantees may be found to be void and unenforceable. Further, guarantees by the Irish guarantors for the obligations of another group company must be in the commercial interest and for the corporate benefit of the Irish guarantors. If the giving of a guarantee is not for the Irish guarantors' corporate benefit, the guarantees could be held null and void. The question of corporate benefit is determined on a case-by-case basis and consideration has to be given to any direct and/or indirect benefit that the company would actually derive from the transaction and is particularly relevant for upstream or cross-stream guarantees. The question whether or not the corporate benefit requirement is met is a matter of fact, which must be assessed by the competent body of the company being the board of directors of the company acting bona fide in the interest of the company. If the corporate benefit requirement is not met, the directors of the company may be held liable by the company for negligence in the management of the company. Moreover, the guarantees could be declared null and void. The validity and/or enforceability of the guarantees may also be subject to the statutes of limitations, defences such as set-off or counterclaim, the doctrine of frustration and the doctrine of estoppel, and the fact that equitable remedies will only be granted by the Irish court in its discretion.

Subject to certain exceptions, under Section 82 (Financial assistance for acquisition of shares) of the Companies Act (''Section 82''), it is unlawful for a RoI company to give, whether directly or indirectly, and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of a purchase or subscription made or to be made by any person or for any shares in the company or its holding company. As a result, the Notes may only be guaranteed by the relevant ROI company to the extent that it would not result in such guarantee constituting the giving of unlawful financial assistance under Section 82.

Pursuant to Section 1001 of the RoI Taxes Consolidation Act 1997, the holder of a fixed security over book debts of an RoI tax resident company may be required by notice from the RoI Revenue Commissioners to pay to them sums equivalent to those which the holder thereafter receives in payment of debts due to it by the relevant company. Where the holder of the security has informed the RoI Revenue Commissioners of the creation of the security within 21 days of its creation (or within 21 days of the transfer of the security to the holder) the holder's liability is limited to the amount of certain outstanding RoI tax liabilities of the company (including liabilities in respect of value added tax) arising after the issue to the holder of a notice from the RoI Revenue Commissioners.

The RoI Revenue Commissioners may also attach any debt due to an RoI tax resident company by another person in order to discharge any liabilities of the company in respect of outstanding tax whether the liabilities are due on its own account or as an agent or trustee. It is possible that the scope of this right of the RoI Revenue Commissioners may override the rights of holders of security (whether fixed or floating) over the debt in question.

**Jersey**

One of the providers of Collateral is a company incorporated under the laws of Jersey (the "**Jersey Obligor**"). Consequently, in the event of an insolvency of the Jersey Obligor, insolvency proceedings may be initiated in Jersey. There are two principal regimes for corporate insolvency in Jersey: "désastre" and winding up (including just and equitable winding up and creditors' winding up). Under Jersey law, if a liquidator were to be appointed to the Jersey Obligor or if the Jersey Obligor was declared to be "en désastre," the liquidator or the Jersey Viscount (as defined below), as the case may be, has the power to investigate past transactions entered into by that entity and may in certain circumstances seek various court orders, including orders to void certain transactions entered into prior to the winding-up of such company and for the repayment of money. These transactions are generally known as "voidable transactions" or "vulnerable transactions" and the main ones are generally described below together with a summary of the principal insolvency regimes in Jersey and certain other relevant matters.

In Jersey, a guarantee may be set aside or held not to be enforceable on a number of grounds, including grounds that relate to corporate benefit, fraudulent conveyance or transfer, voidable preferences, transactions at an undervalue or similar laws and regulations or defenses affecting the rights of creditors generally.

The principal type of insolvency procedure available to creditors under Jersey law is the application for an Act of the Royal Court of Jersey (the "**Royal Court**") under the Bankruptcy (Désastre) (Jersey) Law 1990, as amended (the "**Jersey Bankruptcy Law**") declaring the property of a debtor to be "en désastre" (a "**declaration**").

On a declaration of désastre, title and possession of the property of the debtor vest automatically in the Jersey Viscount, an official of the Royal Court (the "**Jersey Viscount**"). With effect from the date of declaration, an unsecured creditor has no other remedy against the property or person of the debtor, and may not commence or, except with the consent of the Jersey Viscount or the Royal Court, continue any legal proceedings to recover the debt but may prove in the désastre. With effect from the date of declaration, a secured party may, however, without the consent of the Jersey Viscount and without an order of the court, exercise any power of enforcement it may have under Part 7 (Enforcement of Security Interests) of the Security Interests (Jersey) Law 2012 (the "**2012 Law**"). To the extent that the proceeds of such enforcement are insufficient to discharge liabilities owed, that secured party has no other remedy against the property or person of the debtor, and may not commence any legal proceedings or, except with the consent of the Jersey Viscount or the Royal Court, continue any legal proceedings to recover the balance of the debt.

Additionally, the shareholders of a Jersey company (but not its creditors) can instigate a winding up of an insolvent company, which is known as a "creditors' winding up" pursuant to Chapter 4 of Part 21 of the Companies (Jersey) Law 1991, as amended (the "**Companies Law**"). On a creditors' winding up, a liquidator is nominated by the shareholders. The creditors may approve such a liquidator or apply to appoint a different liquidator. The liquidator will stand in the shoes of the directors and administer the winding up, gather assets, make appropriate disposals of assets, settle claims and distribute assets as appropriate. After the commencement of the winding up, no action can be taken or proceeded with against the company except with the leave of the Royal Court. The shareholders must, however, give creditors 14 days' notice of the meeting to commence the creditors' winding up. After the commencement of the creditors' winding up, a secured party may, however, without the sanction of a liquidator and without an order of the court, exercise any power of enforcement it may have under Part 7 (Enforcement of Security Interests) of the 2012 Law. To the extent that the proceeds of such enforcement are insufficient to discharge liabilities owed, the secured party has no other remedy against the company without leave of the Royal Court. The corporate state and capacity of the company continues until the end of the winding up procedure, when the company is dissolved. The Companies Law requires a creditor of a company (subject to appeal) to be bound by an arrangement entered into by the company and its creditors immediately before or in the course of its winding up if (inter alia) three quarters in number and value of the creditors acceded to the arrangement.

**Transactions at an undervalue**

Under Article 17 of the Jersey Bankruptcy Law and Article 176 of the Companies Law, the Royal Court may, on the application of the Jersey Viscount (in the case of a company whose property has been declared "en désastre") or liquidator (in the case of a creditors' winding up, a procedure which is instigated by shareholders not creditors), set aside a transaction (including any guarantee or security interest) entered into by a company with any person (the "**other party**") at an undervalue. There is a five year look back period from the date of commencement of the winding up or declaration of "désastre" during which transactions are susceptible to examination pursuant to this rule (the "**relevant time**"). The Jersey Bankruptcy Law and Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a transaction at an undervalue, the operation of the relevant time and the effect of entering into such a transaction with a person connected with the company or with an associate of the company.

If the Royal Court determines that the transaction was a transaction at an undervalue, the Royal Court can make such order as it thinks fit to restore the position to what it would have been in if the transaction had not been entered into. In any proceedings, it is for the Jersey Viscount or liquidator to demonstrate that the Jersey company was insolvent unless a beneficiary of the transaction was a connected person or associate of the company, in which case there is a presumption of insolvency and the connected person must demonstrate the Jersey company was not insolvent when it entered the transaction in such proceedings or that it did not become insolvent as a result of the transaction.

### Preferences

Under Article 17A of the Jersey Bankruptcy Law and Article 176A of the Companies Law, the Royal Court may, on the application of the Jersey Viscount (in the case of a company whose property has been declared "en désastre") or liquidator (in the case of a creditors' winding up), set aside a preference (including any guarantee or security interest) given by the company to any person (the "**other party**"). There is a 12 month look back period from the date of commencement of the winding up or declaration of "désastre" during which transactions are susceptible to examination pursuant to this rule (the "**relevant time**"). The Jersey Bankruptcy Law and Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a preference, the operation of the relevant time and the effect of entering into a preference with a person connected with the company or with an associate of the company.

A transaction will constitute a preference if it has the effect of putting a creditor of the Jersey company (or a surety or guarantor for any of the company's debts or liabilities) in a better position (in the event of the company going into an insolvent winding up) than such creditor, guarantor or surety would otherwise have been in had that transaction not been entered into. If the Royal Court determines that the transaction constituted such a preference, it has very wide powers for restoring the position to what it would have been if that preference had not been given (although there is protection for a third party who enters into one of the transactions in good faith and without notice). However, for the Royal Court to do so, it must be shown that in deciding to give the preference the Jersey company was influenced by a desire to produce the preferential effect. In any proceedings, it is for the Jersey Viscount or liquidator to demonstrate that the Jersey company was insolvent at the relevant time and that the company was influenced by a desire to produce the preferential effect, unless the beneficiary of the transaction was a connected person, in which case there is a presumption that the company was influenced by a desire to produce the preferential effect and the connected person must demonstrate in such proceedings that the company was not influenced by such a desire.

### Extortionate credit transactions

Under Article 17C of the Jersey Bankruptcy Law and Article 179 of the Companies Law, the Royal Court may, on the application of the Jersey Viscount (in the case of a company whose property has been declared "en désastre") or liquidator (in the case of a creditors' winding up), set aside a transaction providing credit to the debtor company which is or was extortionate. There is a three year look back period from the date of commencement of the winding up or declaration of "désastre" during which transactions are susceptible to examination pursuant to this rule. The Jersey Bankruptcy Law and Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a transaction which is extortionate.

### Disclaimer of onerous property

Under Article 15 of the Jersey Bankruptcy Law, the Jersey Viscount may within six months following the date of the declaration of désastre and under Article 171 of the Companies Law, a liquidator may within six months following the commencement of a creditors' winding up, disclaim any onerous property of the company. "Onerous property" is defined to include any moveable property, a contract lease or other immoveable property if it is situated outside of Jersey that is unsaleable or not readily saleable or is such that it might give rise to a liability to pay money or perform any other onerous act, and includes an unprofitable contract. A disclaimer operates to determine, as of the date it is made, the "rights, interests and liabilities of the company/debtor in or in respect of the property disclaimed and discharges the company/Jersey Viscount from all liability in respect of the property as of the date of the commencement of the creditors' winding up/from the date of the declaration in or in respect of the property disclaimed" but "does not, except so far as is necessary for the purpose of releasing the company/debtor from liability, affect the rights or liabilities of any other person." A person sustaining loss or damage as a result of a disclaimer is deemed to be a creditor of the company to the extent of the loss or damage and shall have standing as a creditor in the désastre or creditors' winding up. The Jersey Bankruptcy Law and Companies Law contain detailed provisions, including (without limitation) in relation to the power to disclaim onerous property.

### Fraudulent Dispositions

In addition to the Jersey statutory provisions referred to above, there are certain principles of Jersey customary law under which dispositions of assets with the intention of defeating creditors' claims may be set aside.

**Enforcement of security and security in insolvency**

Under the laws of Jersey, a person incorporated, resident or domiciled in Jersey is deemed to have capacity to grant security governed by foreign law over property situated outside Jersey, but to the extent that any floating charge or other security interest governed by a foreign law is expressed to apply to any asset, property and undertaking of a person incorporated, resident or domiciled in Jersey such floating charge or other security interest is not likely to be held valid and enforceable by the Jersey courts in respect of Jersey situs assets.

The Insolvency Act 1986 (either as originally enacted or as amended, including by the provisions of the Enterprise Act 2002) does not apply in Jersey and receivers, administrative receivers and administrators are not part of the laws of Jersey. Accordingly, the Royal Court may not recognize the powers of an administrator, administrative receiver or other receiver appointed in respect of Jersey situs assets.

The Royal Court (in its inherent jurisdiction) may, however, under Article 49(1) of the Jersey Bankruptcy Law assist the courts of prescribed countries and territories and, applying general principles of comity, assist the courts in other jurisdictions, in all matters relating to the insolvency of any person to the extent that the Royal Court think fit. Further, in doing so, the Royal Court may have regard to the UNCITRAL model law, even though the model law has not been (and is unlikely to be) implemented as a separate law in Jersey.

If insolvency proceedings have been commenced in another jurisdiction in relation to the company, the nature and extent of the cooperation from Jersey is likely to depend on the nature of the requesting country's insolvency regime.

In the case of both statutory and non-statutory requests for assistance, it should be noted that the UNCITRAL provisions will not automatically be followed as this is a matter for the discretion of the Royal Court. The court's position may also not be in accordance with the EU Insolvency Regulation. Jersey does not form part of the European Community for the purposes of implementation of its directions. Accordingly, the EU Insolvency Regulation does not apply as a matter of Jersey domestic law and the automatic test of centre of main interests does not apply.

Enforcement of a security interest against a Jersey company may be further limited by bankruptcy, insolvency, liquidation, dissolution, re-organization or other laws of general application relating to or affecting the rights of creditors, and laws in relation to transactions at an undervalue, preferences, extortionate credit transactions, disclaimer of onerous property and fraudulent dispositions also apply in Jersey.

Under Jersey law, security over Jersey situs assets is created in accordance with the provisions of Jersey law. The Jersey situs assets of the Jersey Obligor will be secured pursuant to Jersey law governed security interest agreements. The 2012 Law provides that a secured party may enforce security over intangible movable assets by way of sale or appropriation of the collateral or proceeds. In addition, a secured party may take certain ancillary actions, including any bespoke enforcement powers included in a security agreement, to the extent not in conflict with the 2012 Law. More than one enforcement option can be taken, and taking one or more of the enforcement options specified above does not preclude the exercise of other rights of a secured party. The power of enforcement is exercisable once an event of default has occurred and written notice specifying the event of default has been served on the grantor by the secured party. If enforcement is by way of sale or appropriation, the secured party must give the grantor 14 days' prior written notice. Importantly, the grantor may agree in writing to waive its right to notice of appropriation or sale and it is usual to include such a waiver in the security agreement. The secured party is obliged on sale or appropriation, to give at least 14 days' prior written notice to: (i) any person who, 21 days before the sale or appropriation, has a registered security interest in the collateral; and (ii) any person other than the grantor who has an interest in the collateral and has, not less than 21 days before the sale or appropriation, given the secured party notice of that interest unless, in each case, the secured party and such person have otherwise agreed in writing. There are specific carve-outs from the obligation to give notice of sale. On exercising the power of enforcement by appropriation or sale, the secured party must: (i) take all commercially reasonable steps to determine or, in the case of a sale, obtain the fair market value of the collateral, as at the time of the relevant appropriation or sale; (ii) act in a commercially reasonable manner in relation to the appropriation or sale; and (iii) (in the case of a sale only) enter into any agreement for or in relation to the sale only on commercially reasonable terms. The duty of the secured party is owed to the grantor and also to any other person to whom the secured party was required to give notice of sale or appropriation (whether or not they have agreed in writing to waive the notice requirements). If, in exercising its powers of enforcement, a secured party appropriates or sells collateral, it must, within 14 days after the day on which the collateral is appropriated or sold, give certain persons (being the grantor (subject to it having waived this requirement), any person with a registered subordinate security interest and certain persons claiming an interest in the collateral) a written statement of account setting out certain information in relation to that appropriation or sale. If a secured party has sold or appropriated the collateral and the net value or proceeds of appropriation or sale (as appropriate) of the collateral exceeds the amount of the debt owed to the secured party, the secured party shall pay the amount of any resulting surplus in the following order: (i) in payment, in due order of priority, to any person who has a subordinate security interest in the collateral and has registered a financing statement over that security interest (where the registration remained effective immediately before the appropriation or sale); (ii) in payment to any other person (other than the grantor) who has given the secured party notice that that person claims an interest in the collateral and in respect of which the secured party is satisfied that that person has a legally enforceable interest in the collateral; and (iii) as to the balance (if any) in payment to the relevant debtor grantor. Alternatively, the secured party may discharge its obligation above with respect to any surplus by paying that amount into the Royal Court. The surplus may then only be paid out on the order of the court on application by a person entitled to the surplus.

**Guarantee Waivers**

If the Royal Court was asked to enforce a guarantee against a Jersey company, the Jersey company might be able to claim certain rights under Jersey law, known as the droit de division and the droit de discussion, being respectively essentially the right to require that any liability of that company under a guarantee be divided or apportioned with another person or persons and a right to require that the assets of the principal obligor or any other person be exhausted before any claim under the guarantee is enforced against the Jersey company. These guarantor rights can be waived by contract.

*Jersey Service of Process and Enforcement of Civil Liabilities Considerations*

The United States and Jersey currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized or enforceable in Jersey. In order to enforce any such U.S. judgment in Jersey, proceedings must first be initiated before a court of competent jurisdiction in Jersey. In such an action, the Royal Court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is said below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by the Royal Court in such an action is conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to Jersey conflicts of laws principles;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a debt or definite sum of money (although there are circumstances where non-money judgments may also be recognized);
- the recognition or enforcement of the U.S. judgment not contravening Jersey public policy, including that the judgment was not obtained by fraud or duress and the observance of the principles of natural justice which require, among other things, that documents in the US proceedings were properly served on the defendant and that the defendant was given the right to be heard and represented by counsel in a free and fair trial before an important tribunal;
- the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature, or in respect of a penalty or fine;
- the U.S. judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained and not being otherwise in breach of Section 5 of the United Kingdom Protection of Trading Interests Act 1980 (as extended to Jersey by the Protection of Trading Interests Act 1980 (Jersey) Order 1983); and
- there not having been a prior inconsistent decision of a Jersey court in respect of the same matter.

Subject to the foregoing, investors may be able to enforce in Jersey judgments in civil and commercial matters that have been obtained from U.S. federal or state courts. However, we cannot assure you that those judgments will be recognized or enforceable in Jersey. In addition, it is questionable whether the Royal Court would accept jurisdiction and impose civil liability if the original action was commenced in Jersey, instead of the United States, and predicated solely upon U.S. federal securities laws.

# LISTING AND GENERAL INFORMATION

## Listing

An application will be made for the Notes to be admitted to the Exchange and to be admitted for trading on the Official List of the Exchange thereof. It is expected that such admission will become effective after the Issue Date.

On and after the grant of listing of the Notes, copies of the following documents may be inspected and obtained at the registered office of the Listing Agent during normal business hours on any business day:

- the articles of association of the Issuer and each Guarantor;
- the audited consolidated financial statements of Finco for the preceding two years;
- the Indenture governing the Notes (which includes the guarantees and form of the Notes)
- the forms of the Notes;
- the Intercreditor Agreement; and
- the Security Documents.

The issuance of the Notes was authorized by the board of directors of the Issuer on June 12, 2020. The giving of the guarantees has been authorized pursuant to applicable corporate formalities.

Except as disclosed in this offering memorandum, we have not been involved in any governmental, legal or arbitration proceeding relating to claims or amounts that are material and may have or have had during the 12 months preceding the date of this offering memorandum, a significant effect on our financial condition nor so far as we are aware is any such litigation or arbitration pending or threatened.

As of the date of this offering memorandum, the most recent consolidated financial statements available for Topco were as of and for the three months ended March 31, 2020. Except as disclosed in this offering memorandum, there has been no material adverse change in the prospects of Topco since March 31, 2020.

Except as disclosed in this offering memorandum, there are no material potential conflicts of interest between any member of the board of directors of the Issuer and the Issuer or his duties to the Issuer.

The Trustee will be Ankura Trust Company, LLC and its address is 140 Sherman Street, Fourth Floor, Fairfield, CT 06824, United States. The Trustee will be acting in its capacity of trustee for the holders of the Notes and will provide such services to the holders of the Notes as described in the Indenture.

## Clearing Information

The Notes have been accepted for clearance through the facilities of DTC. Certain trading information with respect to the Notes is set forth below.

| | ISIN | Common Code/ CUSIP |
|---|---|---|
| Rule 144A Global Notes | | |
| Regulation S Global Notes | | |

## INDEX TO FINANCIAL STATEMENTS

The following are the consolidated financial statements of Topco: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Note: The independent auditor's reports on the Ardonagh 2019 Audited Financial Statements and Ardonagh 2018 Audited Financial Statements refer to The Ardonagh Group Limited standalone financial statements, which are not included in this Offering Memorandum.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2020

| | Note | Three months ended 31 March 2020 | Restated* Three months ended 31 March 2019 |
|---|---|---|---|
| | | (unaudited) £000 | (unaudited) £000 |
| Commission and fees | 5 | **155,219** | 151,920 |
| Other income | 5 | **4,087** | 4,503 |
| Investment income | 5 | **522** | 582 |
| Salaries and associated costs | 5 | **(75,113)** | (78,141) |
| Other operating costs | 5 | **(48,095)** | (53,484) |
| Impairment of financial assets | 5 | **(2,081)** | (2,095) |
| Depreciation, amortisation and impairment of non-financial assets | 5 | **(21,796)** | (24,826) |
| Fair value loss on derivatives | 5 | **—** | (593) |
| Share of profit from joint venture | 14 | **372** | 452 |
| Share of profit from associate | 14 | **108** | — |
| **Operating profit/(loss)** | | **13,223** | (1,682) |
| Gain on disposal of business | 5 | **—** | 2,572 |
| Finance costs | 6 | **(27,209)** | (28,658) |
| Finance income | 6 | **227** | 545 |
| **Loss before tax** | | **(13,759)** | (27,223) |
| Tax credit | 5 | **83** | 4,865 |
| **Loss for the period** | | **(13,676)** | (22,358) |
| **Attributable to:** | | | |
| Owners of the parent | | **(14,574)** | (22,699) |
| Non-controlling interests | | **898** | 341 |
| **Loss for the period** | | **(13,676)** | (22,358) |

* The Group has recognised a deferred tax asset in its consolidated financial statements in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. A deferred tax asset is recognised on the basis that future taxable profits will arise in the consolidated financial statements as a result of the unwind of the deferred tax liability that was already included in those financial statements in relation to intangible assets recognised on a business combination. The adjustment increases deferred tax assets and decreases equity in the statement of financial position by £34.7m as at 31 March 2019 and it increases the tax credit in the income statement for the three months ended 31 March 2019 by £2.3m.

Additionally, £0.8m presented as 'derecognition of assets following a sale of business' in the three months ended 31 March 2019 has been reclassified to Depreciation, amortisation and impairment of non-financial assets.

The notes on pages 20 to 51 form an integral part of these interim condensed consolidated financial statements.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2020

| | Note | Three months ended 31 March 2020 | Restated* Three months ended 31 March 2019 |
|---|---|---|---|
| | | (unaudited) £000 | (unaudited) £000 |
| **Loss for the period** | | **(13,676)** | (22,358) |
| **Other comprehensive income** | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Exchange differences on translating foreign operations | | **459** | 337 |
| Change in costs of hedging reserve | 19 | **(1,386)** | (1,634) |
| Change in cash flow hedging reserve | 19 | **(1,366)** | 2,913 |
| Income tax relating to these items | 19 | **485** | 290 |
| **Other comprehensive income for the period** | | **(1,808)** | 1,906 |
| **Total comprehensive loss for the period** | | **(15,484)** | (20,452) |
| **Attributable to:** | | | |
| Owners of the parent | | **(16,382)** | (20,793) |
| Non-controlling interests | | **898** | 341 |
| Total comprehensive loss for the period | | **(15,484)** | (20,452) |

* The Group has recognised a deferred tax asset in its consolidated financial statements in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. A deferred tax asset is recognised on the basis that future taxable profits will arise in the consolidated financial statements as a result of the unwind of the deferred tax liability that was already included in those financial statements in relation to intangible assets recognised on a business combination. The adjustment increases deferred tax assets and decreases equity in the statement of financial position by £34.7m as at 31 March 2019 and it increases the tax credit in the income statement for the three months ended 31 March 2019 by £2.3m.

The notes on pages 20 to 51 form an integral part of these interim condensed consolidated financial statements.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

| | Note | 31 March 2020 | 31 December 2019 |
|---|---|---|---|
| | | (unaudited) £000 | (audited) £000 |
| **Non-current assets** | | | |
| Intangible assets | 9 | **1,122,642** | 1,112,194 |
| Property, plant and equipment | 12 | **25,569** | 26,168 |
| Right-of-use assets | 13 | **38,162** | 36,209 |
| Investment in associates and joint ventures | 14 | **7,224** | 7,420 |
| Financial assets at fair value through other comprehensive income | 18 | **271** | 271 |
| Trade and other receivables | 16 | **15,379** | 15,756 |
| Contract assets | | **1,690** | 1,708 |
| Other assets | | **10,122** | 9,037 |
| Deferred tax asset | | **22,246** | 22,687 |
| Derivatives | 19 | **19,402** | 1,709 |
| | | **1,262,707** | 1,233,159 |
| **Current assets** | | | |
| Cash and cash equivalents | 15 | **407,686** | 410,903 |
| Trade and other receivables | 16 | **169,023** | 155,573 |
| Derivatives | 19 | **7,071** | 4,532 |
| Contract assets | | **9,835** | 9,801 |
| Other assets | | **19,185** | 19,098 |
| Financial assets at fair value through profit or loss | 18 | **27** | 36 |
| Current tax asset | | **191** | — |
| Assets held for sale | 7 | **1,856** | 3,735 |
| | | **614,874** | 603,678 |
| **Current liabilities** | | | |
| Trade and other payables | 20 | **(437,784)** | (428,287) |
| Borrowings | 21 | **(88,414)** | (44,149) |
| Lease liabilities | 13 | **(11,406)** | (10,084) |
| Premium financing liabilities | | **—** | (4,341) |
| Derivatives | 19 | **(4,086)** | (1,970) |
| Contract liabilities | | **(27,299)** | (26,829) |
| Provisions | 22 | **(48,947)** | (60,651) |
| Current tax liability | | **—** | (130) |
| Liabilities held for sale | 7 | **(589)** | (1,754) |
| | | **(618,525)** | (578,195) |
| **Net current assets** | | **(3,651)** | 25,483 |
| **Non-current liabilities** | | | |
| Trade and other payables | 20 | **(12,644)** | (11,156) |
| Borrowings | 21 | **(1,128,981)** | (1,091,689) |
| Lease liabilities | 13 | **(34,182)** | (33,021) |
| Derivatives | 19 | **(3,543)** | (19,730) |
| Contract liabilities | | **(1,432)** | (1,471) |
| Provisions | 22 | **(14,914)** | (14,457) |
| | | **(1,195,696)** | (1,171,524) |
| **Net assets** | | **63,360** | 87,118 |

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020** (Cont.)

| | Note | 31 March 2020 (unaudited) £000 | 31 December 2019 (audited) £000 |
|---|---|---|---|
| **Capital and reserves attributable to the Group's shareholders** | | | |
| Share capital | 23 | **7,425** | 7,331 |
| Share premium | 23 | **751,583** | 740,886 |
| Retained losses | | **(663,478)** | (649,006) |
| Hedging reserves | 19 | **(461)** | 1,806 |
| Non-controlling interest reserve | | **(22,103)** | (7,377) |
| Treasury share reserve | | **(11,272)** | (11,015) |
| Foreign currency translation reserve | | **763** | 304 |
| Shareholders' equity | | **62,457** | 82,929 |
| Non-controlling interest | | **903** | 4,189 |
| **Total equity** | | **63,360** | 87,118 |

The notes on pages 20 to 51 form an integral part of these interim condensed consolidated financial statements.

This set of interim condensed consolidated financial statements was approved by the Board of Directors on 20 May 2020 and was signed on its behalf by:

**D Cougill**
**Director**

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2020

| | Share capital | Share premium | Retained losses | Hedging reserves | Treasury share reserve |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **At 1 January 2020** | 7,331 | 740,886 | (649,006) | 1,806 | (11,015) |
| (Loss)/profit for the period | — | — | (14,574) | — | — |
| Other comprehensive income | — | — | — | (2,267) | — |
| | 7,331 | 740,886 | (663,580) | (461) | (11,015) |
| Share based payment scheme | — | — | 102 | — | — |
| Purchase of own shares | — | — | — | — | (257) |
| Distribution to non-controlling interest | — | — | — | — | — |
| Transactions with non-controlling interest | 94 | 10,697 | — | — | — |
| **At 31 March 2020 (unaudited)** | 7,425 | 751,583 | (663,478) | (461) | (11,272) |

| | Non-controlling interest reserve | Foreign currency translation reserve | Total share-holders' equity | Non-controlling interest | Total equity |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **At 1 January 2020** | (7,377) | 304 | 82,929 | 4,189 | 87,118 |
| (Loss)/profit for the period | — | — | (14,574) | 898 | (13,676) |
| Other comprehensive income | — | 459 | (1,808) | — | (1,808) |
| | (7,377) | 763 | 66,547 | 5,087 | 71,634 |
| Share based payment scheme | — | — | 102 | — | 102 |
| Purchase of own shares | — | — | (257) | — | (257) |
| Distribution to non-controlling interest | — | — | — | (120) | (120) |
| Transactions with non-controlling interest | (14,726) | — | (3,935) | (4,064) | (7,999) |
| **At 31 March 2020 (unaudited)** | (22,103) | 763 | 62,457 | 903 | 63,360 |

The notes on pages 20 to 51 form an integral part of these interim condensed consolidated financial statements.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2019

| | Share capital | Convertible equity certificates | Share premium | *Restated Retained losses | Hedging reserves |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Restated at 1 January 2019 | 6,826 | — | 674,391 | (571,495) | (5,946) |
| Transition to IFRS 16** | — | — | — | 59 | |
| Adjusted at 1 January 2019 | 6,826 | — | 674,391 | (571,436) | (5,946) |
| (Loss)/profit for the period | — | — | — | (22,699) | — |
| Other comprehensive income | — | — | — | — | 1,569 |
| | 6,826 | — | 674,391 | (594,135) | (4,377) |
| Issue of convertible equity certificates | — | 67,000 | — | — | — |
| At 31 March 2019 (unaudited) | 6,826 | 67,000 | 674,391 | (594,135) | (4,377) |

| | Reclassified Treasury share reserve | Non-controlling interest reserve | Foreign currency translation reserve | Total shareholders' equity | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Restated at 1 January 2019 | (102) | (2,495) | (14) | 101,165 | 392 | 101,557 |
| Transition to IFRS 16** | — | — | — | 59 | 42 | 101 |
| Adjusted at 1 January 2019 | (102) | (2,495) | (14) | 101,224 | 434 | 101,658 |
| (Loss)/profit for the period | — | — | — | (22,699) | 341 | (22,358) |
| Other comprehensive income | — | — | 337 | 1,906 | — | 1,906 |
| | (102) | (2,495) | 323 | 80,431 | 775 | 81,206 |
| Issue of convertible equity certificates | — | — | — | 67,000 | — | 67,000 |
| At 31 March 2019 (unaudited) | (102) | (2,495) | 323 | 147,431 | 775 | 148,206 |

* The Group has recognised a deferred tax asset in its consolidated financial statements in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. A deferred tax asset is recognised on the basis that future taxable profits will arise in the consolidated financial statements as a result of the unwind of the deferred tax liability that was already included in those financial statements in relation to intangible assets recognised on a business combination. As at 31 March 2019, the adjustment to recognise the deferred tax asset increases deferred tax assets by £34.7m (1 January 2019: £32.4m), increases non-controlling interest reserve by £1.2m (1 January 2019: £1.2m), increases non-controlling interests by £1.7m (1 January 2019: £1.7m), decreases retained losses by £31.8m (1 January 2019: £29.5m) and it increases the tax credit in the income statement for the three months ended 31 March 2019 by £2.3m. The Group also subsumed its share-based payment reserve, which was previously presented separately, within retained losses. The amount subsumed was £0.2m at 31 December 2018. The Group also reclassified amounts that relate to the purchase of own shares from retained losses to a treasury shares reserve. The amount of the reclassification is £0.1m at 31 December 2018.

** The amounts presented above as IFRS 16 adjustments to the opening balance of equity are those reported in the Group's 31 December 2019 financial statements. The amounts included in the 31 March 2019 interim financial statements were subsequently revised from the initial adjustment.

The notes on pages 20 to 51 form an integral part of these interim condensed consolidated financial statements.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2020

| | Note | Three months ended 31 March 2020 | Three months ended 31 March 2019 |
|---|---|---|---|
| | | (unaudited) £000 | (unaudited) £000 |
| **Cash flows from operating activities*** | | | |
| Net cash inflow/(outflow) from operations | 17 | 2,732 | (56,950) |
| Interest received | | 239 | 545 |
| Investment income | | 522 | 582 |
| Income from associate | 14 | 313 | — |
| Income from joint venture | 14 | 363 | 301 |
| Tax (paid)/received | | (321) | 163 |
| Settlement of forward contracts | | (216) | — |
| **Net cash inflow/(outflow) from operating activities** | | 3,632 | (55,359) |
| **Cash flows from investing activities** | | | |
| Acquisition of businesses net of cash acquired | 10 | (23,900) | 8,427 |
| Purchase of property, plant and equipment | | (1,434) | (969) |
| Proceeds on disposal of property, plant and equipment | | 694 | — |
| Purchase of intangible fixed assets | | (2,807) | (2,360) |
| Disposal of businesses | | — | 29,102 |
| Movement in cash and cash equivalents held for sale | | 630 | — |
| Repayment of lease receivable | | 94 | — |
| **Net cash (outflow)/inflow from investing activities** | | (26,723) | 34,200 |
| **Cash flows from financing activities** | | | |
| Interest paid on borrowings** | | (47,744) | (43,843) |
| Repayments of premium financing | | (4,342) | (14,901) |
| Debt transaction costs | | (535) | (2,749) |
| RCF drawdown | | 70,000 | — |
| Interest paid on lease liabilities | | (1,407) | (2,059) |
| Repayment of lease liabilities | | (1,562) | (2,742) |
| Transactions with non-controlling interests | | (94) | — |
| Distribution to non-controlling interests | | (120) | — |
| Purchase of own shares | | (1,541) | — |
| **Net cash inflow/(outflow) from financing activities** | | 12,655 | (66,294) |
| **Net decrease in cash and cash equivalents** | | (10,436) | (87,453) |
| Cash and cash equivalents at the beginning of the year | 15 | 410,903 | 504,956 |
| Effect of movements in exchange rates on cash held | | 7,219 | (3,618) |
| **Cash and cash equivalents at the end of the period** | 15 | 407,686 | 413,885 |

Cash and cash equivalents includes restricted cash (see note 15).

* Cash outflow relating to transaction costs on completed and aborted acquisitions of £3.6m in March 2019, which was previously shown on the face of the statement of cash flows, has now been presented within net cash outflow from operations (see note 17).

** Of the interest paid, £1.5m (31 March 2019: £0.6m) relates to cash received on settlement of cross-currency swaps that are designated in a hedging relationship (see note 19).

The notes on pages 20 to 51 form an integral part of these interim condensed consolidated financial statements.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1 General information

The Ardonagh Group Limited (the Company) is a private company limited by shares with registered number 117710. It is incorporated and registered in Jersey. The address of its registered office is 44 Esplanade, St Helier, Jersey, JE4 9WG.

These interim condensed consolidated financial statements comprise the Company and its subsidiaries (the Group) and have been prepared in connection with the shareholders' deed, the bond indenture and the RCF agreement relating to the Group for the three-month period to 31 March 2020.

The financial information contained in these interim results does not constitute statutory accounts of the Company within the meaning of the Companies (Jersey) Law 1991. Statutory accounts for the year ended 31 December 2019 were approved by the Board of Directors on 22 April 2020. The report of the auditors on those accounts was unqualified and did not contain an emphasis of matter paragraph.

### 2 Basis of preparation

The interim condensed consolidated financial statements of the Group have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the Group's financial position and performance.

The interim condensed consolidated financial statements should be read in conjunction with the Group's Annual Consolidated

Financial Statements for the year ended 31 December 2019, which have been prepared in accordance with IFRS as adopted by the European Union

The interim condensed consolidated financial statements are presented in GBP sterling (£).

Amounts shown are rounded to the nearest thousand, unless stated otherwise.

The interim condensed consolidated financial statements have been prepared under the historical cost convention, as modified to use a different measurement basis where necessary to comply with IFRS.

The Directors have considered the guidance of the UK Financial Reporting Council and events relating to the spread of coronavirus (COVID-19) in preparing these interim condensed consolidated financial statements.

#### Going concern

The interim condensed consolidated financial statements of the Group set out on pages 12 to 19 have been prepared on a going concern basis. At 31 March 2020, the Group had net assets of £63.4m (31 December 2019: £87.1m) and net current liabilities of

£(3.7)m (31 December 2019: net current assets of £25.5m). The Group reported an operating profit of £13.2m for the three months ended 31 March 2020 (31 March 2019: £(1.7)m loss), net cash inflows from operating activities of £3.6m (31 March 2019: £(55.4)m outflow) and cash outflows of £(10.4)m (31 March 2019: £(87.5)m). Operating cash conversion of 61% was reported at 31 March 2020 (31 March 2019: 44%).

The Directors consider the going concern basis to be appropriate following their assessment of the Group'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 Group (see Business Review: Liquidity and Capital Resources on page 7) and its base case and stressed cash flow forecasts over the calendar years 2020 and 2021.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** (Cont.)

**2 Basis of preparation** (Cont.)

**Going concern** (Cont.)

- The principal risks facing the Group, including the potential financial and operational impacts of Covid-19, and its systems of risk management and internal control.
- Actual trading in the four months ended April 2020.

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

- The Group continues to benefit from the Revolving Credit Facility of £170m, of which £70m was drawn. Permissible RCF drawings are limited by the Group's credit facility basket.
- Following the commencement of the main settlement of the ETV liabilities during the third quarter of 2019, the Group completes the majority of the settlement by the end of 2020.
- Client retention and renewal rates are expected to be robust, despite the likely economic downturn.

Key stress scenarios that the Directors have considered include cumulative stresses to the base plan of a net reduction in cashflow of over £100m in 2020 and further reductions in 2021. This results from:

- A sustained 20% shortfall in base case projected income in 2020 and 15% in 2021.
- A 10% deterioration in base case cash conversion rates over and above the fall in income
- A 15% deterioration in the quantum and acceleration of the settlement of the ETV liabilities compared to the base case.
- Mitigating actions within management control including delayed capital expenditure, a reduction in discretionary spend and some reduction in employee headcount and remuneration.

Actual trading in the four months ended April 2020 is significantly ahead of the stresses to the base plan noted above. However, the Group has not yet revised the base plan for Covid-19 uncertainties for 2020 and beyond, and this is expected to take place over the course of Q2.

Our stress testing further indicates that revenue would need to decline by up to 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 consider these stress conditions to be a remote scenario.

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

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

- Business Continuity Plans are in place across each of the Group's operating segments, with measures to manage employee absences, access to the wider network of over 80 offices, the efficiency and stability of the Group'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. Ardonagh is highly diversified and not materially exposed to a single carrier, customer or market sector.
- Although Covid-19 developments are fluid, the stress testing demonstrates the Group's financial resilience and operating flexibility.

Following the assessment of the Group's financial position and its ability to meet its obligations as and when they fall due, including the potential financial implications of the Covid-19 pandemic included in stress tests, and

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** (Cont.)

**2 Basis of preparation** (Cont.)

**Going concern** (Cont.)

the wider operational consequences and ramifications of the pandemic, the Directors are not aware of any material uncertainties that cast significant doubt on the Group's ability to continue as a going concern.

## 3 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year. Some amendments to accounting standards have become effective in the year beginning 1 January 2020, but their impact on the Group's interim condensed consolidated financial statements is not material.

## 4 Critical accounting estimates and judgements

Estimates and judgements used in preparing the interim condensed consolidated 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.

**Critical judgements in applying accounting policies**

The judgements that have been made in applying accounting policies are not considered to be critical.

**Key sources of estimation uncertainty**

**Leases – determination of the discount rate**

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

The Group has determined the discount rate based on the available secondary bond market yield to maturity pricing and the discount rate used for each lease depends on the lease amount and term.

The weighted average discount rate used to calculate the lease liabilities at the date of transition to IFRS 16 (1 January 2019) was 13.5%. An increase/(decrease) in the weighted average discount rate by 1% would have reduced/increased the lease liability, as at 31 December 2019, by about £1m and the impact on the lease liability as at the reporting date would not have been materially different. For the first quarter of 2020, the Group used a discount rate of approximately 11.7% for new leases and certain modifications to existing leases.

**Deferred tax assets**

Significant estimation is required in determining the asset recognised in respect of deferred tax. A deferred tax asset is recognised for temporary timing differences, but management's best estimate is used to determine the extent to which it is probable that taxable profits will be available in the future against which the temporary differences can be utilised and to determine the amount of this taxable profit. Deferred tax assets are measured at the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

The deferred tax asset as at 31 March 2020 is £79.5m (31 December 2019: £80.5m).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 4 Critical accounting estimates and judgements (Cont.)

**Key sources of estimation uncertainty** (Cont.)

**Revenue recognition – variable consideration**

The Group is a party to trading deals, such as profit sharing and loss corridor arrangements. These arrangements adjust the consideration that the Group is entitled to for satisfying its performance obligations, and the amount and timing of revenue subject to these arrangements is inherently uncertain.

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

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

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

As at 31 March 2020, a loss corridor liability of £4.4m is included within trade and other payables and a variable profit commission of £6.1m is included within contract assets.

Fair value gains and losses on financial assets at FVTPL are recognised on a business combination in relation to the Group's right to variable consideration on rolling contracts with customers for which the performance obligation was satisfied prior to the acquisition. The fair value of the Swinton rolling contract (a closed book of business) is a level 3 valuation, in accordance with IFRS 13 'Fair Value Measurement', the key assumptions of which are (a) the product lifetime restrictions of 12, 24 and 36 months for the Home Emergency Cover, Swinton Breakdown Insurance, and Personal Accident products, (b) the discount rate, which is based on the Ardonagh weighted average cost of capital of 15%, and (c) the lapse rate curves, which are estimated based on historical experience. A one year increase in the product lifetime restrictions across all three products would give rise to a £7.9m increase in other income in 2020. A 1% increase in the discount rate would give rise to a £0.3m decrease in other income in 2020. The financial asset corresponding to the Swinton rolling contract is £31.2m as at 31 March 2020 (31 December 2019: £32.1m).

**Enhanced Transfer Values (ETV) provision**

Certain subsidiaries within the Group have obligations to make redress payments in respect of historical pension transfer advice. The programme of redress commenced during the third quarter of 2019.

The value of the provision is sensitive to various assumptions and in particular those made for the percentage of the overall population of cases judged as requiring redress and average redress costs. The redress programme remains at a relatively early stage and accordingly there is uncertainty regarding the ultimate cost, which may differ materially from management's present estimate.

The provision will be informed and updated during the course of the redress programme based upon the experience of actual redress payments. See note 22 for further information.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** (Cont.)

**4 Critical accounting estimates and judgements** (Cont.)

**Key sources of estimation uncertainty** (Cont.)

**Impairment of assets**

The Group tests annually whether goodwill and other assets that have indefinite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may exceed its recoverable amount. The last annual impairment test was performed as at 30 September 2019 and another impairment test was performed in the first quarter of 2020 (see note 9).

An impairment test of an asset or cash-generating unit (or group of cash-generating units) is performed by comparing its 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 value in use 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 Adjusted EBITDA multiple.

Forecast cash flows used in value in use calculation were determined by considering historic business performance, by overlaying it with assumptions to reflect areas where growth or income improvement was expected, and by taking into account the expected results of cost management programmes to which the Group was committed. These forecasts were extrapolated to subsequent years using a steady growth rate being the CPI inflation rate of 1.2% (2019: 1.9%), and a terminal value was calculated using the perpetual growth model. The discount rate of 11.3% (2019: 9.3%) that was applied to the forecasts was a market participant weighted average cost of capital calculated by reference to the Capital Asset Pricing Model.

The fair value of the Group was calculated based on multiples of forecast 2020 Adjusted EBITDA and on information provided by external advisors, where that information is based on recent transactions in the insurance broking industry. The fair value of an operating segment was estimated by apportioning the fair value of the Group between the operating segments based on the value in use of each operating segment. The estimated costs of disposal are assumed, based on market experience, to be 1.5% of the fair value of the operating segment.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** (Cont.)

**5 Segmental analysis**

Descriptions of the Group's segments can be found in Section 1 – Structure.

Under IFRS 8 'Operating Segments', the Group determines its operating segments based on the information that is provided to the Group Executive Committee, which is the Group's chief operating decision maker, and it aggregates its operating segments into reportable segments or 'platforms' where aggregation provides useful information to the users of the financial statements and where the operating segments have similar characteristics. During the period, the Group revised the presentation of its reportable segments and restated the comparative segment information to reflect the new structure, as shown in the table below:

| Reportable segment | Operating segment | Basis for aggregation of the operating segments |
|---|---|---|
| Ardonagh Advisory | Insurance Broking | Not applicable. |
| Ardonagh Retail | Retail<br>Paymentshield<br>Schemes & Programmes | • Similar economic characteristics, in that they focus on low value and high-volume policies and they have a cost base that is driven by contact centres and direct marketing;<br>• Similar products and services, in that they protect end consumers with wheels-based, property-based or pet insurance products;<br>• Similar production processes, in that they comprise 'panel' business that seeks quotes from a range of insurers;<br>• Similar customers, primarily direct end consumers rather than businesses; and<br>• Similar distribution methods, being price comparison sites, search engines, trade shows, advertising in publication, and via networks of financial advisors. |
| Ardonagh Specialty | Specialty & International MGA | • Similar economic characteristics, in that they focus on high value and specialised products, they have a cost base that is driven by employing customer-facing staff and by having various capacity providers, and they have similar long-term Adjusted EBITDA margins;<br>• Similar products and services, in that they focus on specialist risk areas in targeted areas of the insurance market;<br>• Similar production processes, in that they use a range of insurance providers to provide products to meet customer needs;<br>• Similar customers, primarily brokers and intermediaries who then sell to the end consumer; and<br>• Similar distribution methods, being via brokers and intermediaries. |

Segments are reviewed and revised as necessary following structural changes within the Group or acquisitions of new companies.

The Group Executive Committee assesses the performance of the operating segments based on an Adjusted EBITDA measure. The presentation of the segment information has been revised during the first quarter of 2020 to reflect that. The Group Executive Committee assesses the financial position of the Group on a consolidated Group basis and therefore does not regularly receive measures of total assets or total liabilities on an operating segment basis. Accordingly, no financial position measures are reported within the Group's segmental analysis.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** (Cont.)

**5 Segmental analysis** (Cont.)

The results include items directly attributable to a reportable segment as well as those that can be allocated on a reasonable basis.

Of the Total Income disclosed in the consolidated income statement, £25.9m is attributable to sales made outside the UK.

Commissions and fees represent the Group's revenue from contracts with customers which is recognised in accordance with IFRS 15. The Group's operating segments, not its reportable segments reflect its disaggregation of revenue, so that disaggregation is provided beneath the segmental analysis.

| Period ended 31 March 2020 | Ardonagh Retail | Ardonagh Advisory | Ardonagh Specialty | Corporate | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Commission and fees | 60,379 | 55,687 | 38,488 | 665 | 155,219 |
| Other income | 4,030 | 2 | 55 | — | 4,087 |
| Investment income | 7 | 1 | 337 | 177 | 522 |
| Salaries and associated costs | (21,374) | (26,009) | (23,358) | (4,372) | (75,113) |
| Other operating costs | (22,867) | (13,125) | (9,053) | (3,050) | (48,095) |
| Impairment of financial assets | (2,145) | (212) | 276 | — | (2,081) |
| Depreciation, amortisation and impairment of non-financial assets | (9,653) | (6,149) | (5,009) | (985) | (21,796) |
| Fair value loss on derivatives | — | — | — | — | — |
| Share of profit from joint venture | 372 | — | — | — | 372 |
| Share of profit from associate | — | — | 108 | — | 108 |
| **Operating profit/(loss)** | 8,749 | 10,195 | 1,844 | (7,565) | 13,223 |
| Gain on disposal of business | — | — | — | — | — |
| Finance costs | (689) | (549) | (352) | (25,619) | (27,209) |
| Finance income | 33 | 3 | 109 | 82 | 227 |
| **Profit/(loss) before tax** | 8,093 | 9,649 | 1,601 | (33,102) | (13,759) |
| Tax (charge)/credit | (48) | (58) | (10) | 199 | 83 |
| **Profit/(loss) for the period** | 8,045 | 9,591 | 1,591 | (32,903) | (13,676) |
| Finance costs | | | | | 27,209 |
| Tax credit | | | | | (83) |
| Depreciation | | | | | 4,157 |
| Amortisation and impairment of non-financial assets | | | | | 17,639 |
| Loss from disposal of non-financial assets | | | | | 449 |
| Foreign exchange movements | | | | | (767) |
| Transformational hires | | | | | 945 |
| Business transformation costs | | | | | 4,883 |
| Legacy costs | | | | | 642 |
| Other costs | | | | | 930 |
| Regulatory costs | | | | | 33 |
| Acquisition and financing costs | | | | | 1,217 |
| **Adjusted EBITDA** | 20,076 | 17,759 | 9,293 | (3,550) | 43,578 |

The £60.4m commission and fees for the Ardonagh Retail reportable segment comprises £43.1m, £9.4m and £7.9m in relation to the Retail, Paymentshield and Schemes & Programmes operating segments respectively. The £38.5m commission and fees for the Ardonagh Specialty reportable segment comprises £30.6m and £7.9m in relation to the Specialty & International and MGA operating segments respectively.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 5 Segmental analysis (Cont.)

| Period ended 31 March 2019 Restated | Ardonagh Retail £000 | Ardonagh Advisory £000 | Ardonagh Specialty £000 | Corporate £000 | Total £000 |
|---|---|---|---|---|---|
| Commission and fees | 64,993 | 52,496 | 33,374 | 1,057 | 151,920 |
| Other income | 4,456 | 6 | 6 | 35 | 4,503 |
| Investment income | 8 | 1 | 421 | 152 | 582 |
| Salaries and associated costs | (26,130) | (25,116) | (21,219) | (5,676) | (78,141) |
| Other operating costs | (31,003) | (13,243) | (7,766) | (1,472) | (53,484) |
| Impairment of financial assets | (1,914) | (20) | (161) | — | (2,095) |
| Depreciation, amortisation and impairment of non-financial assets | (12,667) | (5,194) | (5,580) | (1,385) | (24,826) |
| Fair value loss on derivatives | — | — | — | (593) | (593) |
| Share of profit from joint venture | 452 | — | — | — | 452 |
| Operating (loss)/profit | (1,805) | 8,930 | (925) | (7,882) | (1,682) |
| Gain on disposal of business | — | — | 2,572 | — | 2,572 |
| Finance costs | (2,258) | (517) | (430) | (25,453) | (28,658) |
| Finance income | 55 | 5 | 88 | 397 | 545 |
| (Loss)/profit before tax | (4,008) | 8,418 | 1,305 | (32,938) | (27,223) |
| Tax credit/(charge) | 716 | (1,504) | (233) | 5,886 | 4,865 |
| (Loss)/profit for the period | (3,292) | 6,914 | 1,072 | (27,052) | (22,358) |
| Finance costs | | | | | 28,658 |
| Tax credit | | | | | (4,865) |
| Depreciation | | | | | 6,077 |
| Amortisation and impairment of non-financial assets | | | | | 18,749 |
| Loss from disposal of non-financial assets | | | | | 376 |
| Foreign exchange movements | | | | | 1,486 |
| Transformational hires | | | | | 1,472 |
| Business transformation costs | | | | | 10,777 |
| Legacy costs | | | | | 1,870 |
| Regulatory costs | | | | | 261 |
| Acquisition and financing costs | | | | | (622) |
| Gain on disposal of business | | | | | (2,572) |
| Adjusted EBITDA | 18,401 | 17,209 | 6,673 | (2,974) | 39,309 |

* The 2019 segment information was restated to reflect the revised reportable segments (see above) and to reflect the tax adjustment that is described in the footnote to the statement of profit or loss and other comprehensive income.

The £65.0m commission and fees for the Ardonagh Retail reportable segment comprises £47.6m, £9.3m and £8.1m in relation to the Retail, Paymentshield and Schemes & Programmes operating segments respectively. The £33.4m commission and fees for the Ardonagh Specialty reportable segment comprises £24.4m and £9.0m in relation to the Specialty & International and MGA operating segments respectively.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 6 Finance income and finance costs

| | Three months ended 31 March 2020 | Restated Three months ended 31 March 2019 |
|---|---|---|
| | (unaudited) £000 | (unaudited) £000 |
| **Financial assets measured at amortised cost** | | |
| Interest income – own funds | **205** | 544 |
| Interest income – discount unwind | **16** | — |
| Interest income – other | **6** | 1 |
| **Financial liabilities measured at amortised cost** | | |
| Unwinding of transaction costs and discount on financial liabilities | **(2,587)** | (2,793) |
| Interest expense – bank and other borrowings* | **(59,692)** | (11,422) |
| Interest expense – commitment fee | **(401)** | (396) |
| Interest expense – shareholders' loans | **—** | (36) |
| Interest expense – other loans | **(546)** | — |
| Interest on premium financing liabilities | **(212)** | (541) |
| **Other finance income/(costs)** | | |
| Amounts reclassified from the cash flow hedging reserve for cross currency swaps | **37,674** | (11,362) |
| Amortisation of costs of hedging | **(38)** | (37) |
| Effective interest on lease liabilities | **(1,407)** | (2,059) |
| Unwinding of discount on provisions | **—** | (12) |
| Net finance costs | **(26,982)** | (28,113) |
| **Analysed as:** | | |
| Finance income | **227** | 545 |
| Finance costs | **(27,209)** | (28,658) |
| **Net finance costs** | **(26,982)** | (28,113) |

* The £59.7m (31 March 2019: £11.4m) interest expense on bank and other borrowings includes foreign currency translation differences arising on the debt and, when it is considered together with the (£37.7m) (31 March 2019: £11.4m) amount reclassified from the cash flow hedging reserve for cross currency swaps as a result of applying hedge accounting, the hedged interest expense on bank and other borrowings is determined to be £22.0m (31 March 2019: £22.8m).

During the year, the coupon interest expense on the Group's existing debt of circa £1,161.9m totalled £22.9m (31 March 2019: £22.9m). A further £2.5m (31 March 2019: £2.7m) of interest expense was recognised during the year relating to the unwind of the discount on these instruments as part of accounting for them at amortised cost using the effective interest rate.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 7 Assets held for sale

As at 31 March 2020, the Group classified several freehold and leasehold properties, which form part of the Ardonagh Retail reportable segment, as held for sale. The Group also classified its subsidiary Solis Re Agency Inc, which forms part of the Ardonagh Specialty reportable segment, as held for sale, given its intention to dispose of its controlling interest in (albeit retain significant influence over) that subsidiary during the second quarter of this year. The figures shown in the table below reflect the full carrying amount of the assets and liabilities to be derecognised on disposal, but do not reflect any interest that is expected to be retained as an associate in relation to Solis Re Agency Inc.

| | Swinton Properties | Solis Re | 31 March 2020 |
|---|---|---|---|
| | £000 | £000 | £000 |
| Property, plant and equipment | **672** | **—** | **672** |
| Right of use assets | **146** | **595** | **741** |
| Lease liabilities | **—** | **(558)** | **(558)** |
| Trade and other receivables | **—** | **274** | **274** |
| Cash and cash equivalents | **—** | **169** | **169** |
| Trade and other payables | **—** | **(31)** | **(31)** |
| | **818** | **449** | **1,267** |

| | Swinton Properties | Solis Re | 31 December 2019 |
|---|---|---|---|
| | £000 | £000 | £000 |
| Property, plant and equipment | 1,397 | — | 1,397 |
| Right of use assets | 146 | 595 | 741 |
| Lease liabilities | — | (594) | (594) |
| Trade and other receivables | — | 798 | 798 |
| Cash and cash equivalents | — | 799 | 799 |
| Trade and other payables | — | (1,160) | (1,160) |
| | 1,543 | 438 | 1,981 |

### 8 Income and deferred tax

Income tax expense/credit for the interim condensed consolidated financial statements is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year (including the impact of legislated changes to the tax rate), adjusted for the tax effect of certain items recognised in full during the interim period.

The effective tax rate in these interim condensed consolidated financial statements is 1% (31 March 2019 as restated: 18%) giving rise to a tax credit of £0.1m (31 March 2019 as restated: a credit of £4.9m).

The tax charge differs from that which would result from applying the standard rate of corporation tax, mainly due to the impact of statutory restrictions on the deductibility of interest expense and the change to 19% in the legislated corporation tax rate for the tax year commencing 1 April 2020.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** (Cont.)

## 9 Intangible assets

The table below provides a schedule of movements in the carrying value of intangible assets held on the interim condensed consolidated statement of financial position.

| | 31 March 2020 (unaudited) £000 | 31 December 2019 (audited) £000 |
|---|---|---|
| Start of the period | **1,112,194** | 1,095,203 |
| Acquisition of subsidiaries | **24,998** | 79,506 |
| Net additions | **3,139** | 12,263 |
| Amortisation charge for the period | **(17,689)** | (74,778) |
| **End of the period** | **1,122,642** | 1,112,194 |

The table below provides a schedule of movements in the carrying amount of goodwill held on the statement of financial position within intangible assets:

| | 31 March 2020 (unaudited) £000 | 31 December 2019 (audited) £000 |
|---|---|---|
| Start of the period | **732,489** | 678,756 |
| Acquisition of subsidiaries | **19,111** | 53,730 |
| Net additions | **—** | 3 |
| **End of the period** | **751,600** | 732,489 |

Goodwill is tested for impairment annually and whenever there is an indication that it may be impaired. The annual impairment test was performed at 30 September in 2019 and will be performed on this date in 2020 (and in subsequent years) once the latest five-year plan is available. The recoverable amounts and associated assumptions for the Group's operating segments, each of which constitutes a cash generating unit or group of cash generating units, are disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2019.

It was determined that the coronavirus global pandemic constituted an indication of impairment as at 31 March 2020. Revised forecast cash flow information was prepared in determining the recoverable amount (based on value in use), but it was concluded that there is no impairment to any operating segment. Additional information on assumptions used in measuring the recoverable amount is provided in note 4.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 10 Business combinations

The Group made the following acquisitions during the reporting period:

- On 31 January 2020, the Group purchased the business and assets of an education staff absence insurance book from Integro Insurance Brokers Limited. The consideration paid was £0.4m cash. The acquisition has been included in the Ardonagh Advisory reportable segment.
- On 28 February 2020, the Group purchased a business and certain assets of a rural insurance business. The consideration paid was £23.5m cash. The acquisition has been included in the Ardonagh Specialty reportable segment.

| | A rural insurance business | An education staff absence insurance business | Total |
|---|---|---|---|
| | £000 | £000 | £000 |
| *Purchase consideration* | | | |
| Cash paid | 23,500 | 400 | 23,900 |
| **Total purchase consideration** | 23,500 | 400 | 23,900 |
| *Assets and liabilities as a result of the acquisitions* | | | |
| **Current liabilities** | | | |
| Trade and other payables | (90) | — | (90) |
| **Net liabilities acquired** | (90) | — | (90) |
| Customer relationships | 4,410 | 448 | 4,858 |
| Brand | 198 | — | 198 |
| Computer Software | 831 | — | 831 |
| Deferred tax | (923) | (85) | (1,008) |
| **Net identifiable intangible assets acquired** | 4,516 | 363 | 4,879 |
| Goodwill | 19,074 | 37 | 19,111 |
| **Total purchase consideration** | 23,500 | 400 | 23,900 |

The acquisitions were accounted for under IFRS 3 'Business Combinations', which requires that the identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair value. Goodwill is calculated as the difference between the acquisition consideration and the acquisition date fair value of the net assets/(liabilities) acquired.

The amounts recognised in the interim condensed consolidated financial statements are provisional and adjustment may occur during the remainder of the measurement period.

### 11 Transactions with non-controlling interests

During the first quarter of 2020, the Group purchased from non-controlling interests A shares in Atlanta Investment Holdings 3 Limited ('Atlanta'), representing 10.8% of the total A and B ordinary shares in Atlanta. The shares were purchased in exchange for £8m in cash (advanced in the fourth quarter of 2019) and 9,355,019 ordinary shares in The Ardonagh Group Limited. Following the purchase, the Group has increased its holding in Atlanta from 80.9% to 91.7%.

The effect on the equity attributable to the owners of the Group is summarised below:

| 31 March 2020 | Atlanta Investment Holdings 3 Limited |
|---|---|
| | £000 |
| Carrying amount of non-controlling interests purchased | 4,064 |
| Consideration paid to non-controlling interests (in cash and shares) | (18,790) |
| Excess of consideration paid/payable recognised in the transactions with non-controlling interests reserve within equity | (14,726) |

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** (Cont.)

## 12 Property, plant and equipment

The table below provides a schedule of the movements in the carrying value of property, plant and equipment held on the interim condensed consolidated statement of financial position.

| | 31 March 2020 | 31 December 2019 |
|---|---|---|
| | (unaudited) £000 | (audited) £000 |
| Start of the period | **26,168** | 37,008 |
| Acquisition of subsidiaries | **—** | 419 |
| Net additions | **1,445** | 337 |
| Depreciation charge for the period | **(2,044)** | (9,937) |
| Derecognition of assets following disposal of business | **—** | (262) |
| Assets classified as held for sale | **—** | (1,397) |
| **End of the period** | **25,569** | 26,168 |

## 13 Leases

The tables below provide a schedule of the movements in the carrying amount of the right-of-use assets and corresponding lease liabilities held on the interim condensed consolidated statement of financial position.

| | Right-of-use assets | | | |
|---|---|---|---|---|
| **Three months ended 31 March 2020** | Property | Non-property | Total | Lease liabilities |
| | £000 | £000 | £000 | £000 |
| Start of the period | **35,528** | **681** | **36,209** | **(43,105)** |
| Additions | **285** | **1,666** | **1,951** | **(1,879)** |
| Terminations/modifications | **2,125** | **(9)** | **2,116** | **(2,130)** |
| Depreciation | **(2,009)** | **(105)** | **(2,114)** | **—** |
| Interest expense | **—** | **—** | **—** | **(1,407)** |
| Lease payments | **—** | **—** | **—** | **2,969** |
| Classified as held for sale | **—** | **—** | **—** | **(36)** |
| **End of the period** | **35,929** | **2,233** | **38,162** | **(45,588)** |

| | Right-of-use assets | | | |
|---|---|---|---|---|
| **Year ended 31 December 2019** | Property | Non-property | Total | Lease liabilities |
| | £000 | £000 | £000 | £000 |
| As at 1 January 2019 | 64,015 | 338 | 64,353 | (71,145) |
| Additions | 5,988 | 890 | 6,878 | (8,509) |
| Terminations/modifications | (23,225) | (58) | (23,283) | 26,138 |
| Depreciation | (9,691) | (443) | (10,134) | — |
| Impairment | (818) | (46) | (864) | — |
| Interest expense | — | — | — | (6,256) |
| Lease payments | — | — | — | 16,073 |
| Classified as held for sale | (741) | — | (741) | 594 |
| **End of the year** | 35,528 | 681 | 36,209 | (43,105) |

## 14 Investment in associates and joint ventures

### Associates

On 12 September 2019, the Group acquired a 40% interest in Sino Insurance Brokers Limited (which has a wholly owned subsidiary, Sino Reinsurance Brokers Limited), comprising 400,000 ordinary shares of HK$1 each. This associate is initially recognised at cost and subsequently via the equity method, where the cost is the consideration comprising cash of HK$14.3m and deferred contingent consideration with a fair value that has

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 14 Investment in associates and joint ventures (Cont.)

**Associates** (Cont.)

been estimated, pending completion of the measurement period, to be HK$21.4m. The Group is entitled, under the terms of the acquisition of the 40% interest, to exercise a call option during the period 1 January 2021 to 31 December 2023 to acquire a further 35% interest in Sino Insurance Brokers Limited, comprising 350,000 ordinary shares of HK$1 each.

| Investment in associates | 31 March 2020 (unaudited) £000 | 31 December 2019 (audited) £000 |
|---|---|---|
| Start of the period | **3,800** | — |
| Addition | **—** | 3,583 |
| Share of profit for the period | **108** | 217 |
| Dividend received | **(313)** | — |
| **End of the period** | **3,595** | 3,800 |

**Joint ventures**

The Group has a participating interest in Carole Nash Legal Services LLP, a legal practice. Carole Nash Insurance Consultants Limited, a Group subsidiary company, owns 50% of the total equity of Carole Nash Legal Services LLP.

| Investment in joint ventures | 31 March 2020 (unaudited) £000 | 31 December 2019 (audited) £000 |
|---|---|---|
| Start of the period | **3,620** | 3,340 |
| Share of profit for the period | **372** | 1,680 |
| Dividend received | **(363)** | (1,400) |
| **End of the period** | **3,629** | 3,620 |

### 15 Cash and cash equivalents

| | 31 March 2020 (unaudited) £000 | 31 December 2019 (audited) £000 |
|---|---|---|
| Own funds | **41,536** | 48,192 |
| Own funds – restricted | **36,682** | 36,604 |
| Fiduciary funds | **329,468** | 326,107 |
| | **407,686** | 410,903 |

Restricted own funds comprise:

- £13.6m as at 31 March 2020 (31 December 2019: £13.5m) of restricted cash kept in segregated accounts for claim settlements in relation to the disposal of the Towergate Financial business by Ardonagh Services Limited, an intermediate holding company within the Group.
- £23.1m as at 31 March 2020 (31 December 2019: £23.1m) of restricted cash kept in segregated accounts pursuant to the FCA's Threshold Condition 2.4 (applicable to the insurance broking industry), for ensuring that funds are available to pay any costs and expenses necessary to achieve an orderly wind down of the Group's business in the event its broking operations cease to operate or are otherwise closed. The amount of cash required to be held is determined by management and agreed by the FCA.

Fiduciary funds represent client money used to pay premiums to underwriters, to settle claims to policyholders and to defray commission and other income. Fiduciary funds are not available for general corporate purposes.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** (Cont.)

**16 Trade and other receivables**

| | 31 March 2020 (unaudited) £000 | 31 December 2019 (audited) £000 |
|---|---|---|
| Trade receivables | **97,690** | 85,331 |
| Less: expected credit loss allowance | **(9,841)** | (10,789) |
| Trade receivables – net | **87,849** | 74,542 |
| Prepayments | **30,374** | 22,469 |
| Accrued income | **11,216** | 10,782 |
| Other receivables* | **31,173** | 32,133 |
| Other debtors | **21,807** | 24,020 |
| Related party debtors | **1,704** | 7,104 |
| Contingent consideration receivable | **279** | 279 |
| | **184,402** | 171,329 |
| **Current** | **169,023** | 155,573 |
| **Non-current** | **15,379** | 15,756 |
| | **184,402** | 171,329 |

As at 31 March 2020, the Group had exposures to numerous individual trade counterparties within trade receivables. In accordance with Group policy, trade receivables balances are continually monitored against credit limits and concentration of risk. No individual trade counterparty credit exposure is considered significant in the ordinary course of trading activity. Management does not expect any significant losses from non-performance by trade counterparties that have not been provided for.

* Other receivables include amounts recognised on a business combination in relation to the Group's right to variable consideration on rolling contracts with customers for which the performance obligation was satisfied prior to the acquisition. These receivables are classified as fair value through profit or loss.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 17 Cash generated from operations

| Cash flows from operating activities | Three months ended 31 March 2020 | Restated* Three months ended 31 March 2019 |
|---|---|---|
| | (unaudited) £000 | (unaudited) £000 |
| Loss for the period after tax | **(13,676)** | (22,358) |
| Depreciation of property, plant and equipment and right-of-use assets | **4,158** | 6,077 |
| Amortisation | **17,689** | 18,749 |
| Loss on disposal and impairment of non-financial assets | **399** | 376 |
| Other losses | **102** | 6 |
| Gain on disposal of business | **—** | (2,572) |
| Transaction costs on completed and aborted acquisitions accrued in the period | **615** | — |
| Transaction costs on completed and aborted acquisitions paid in the period | **(5)** | (3,559) |
| Finance costs – net of finance income | **26,982** | 28,113 |
| Investment income | **(522)** | (582) |
| Share of profit from associate and joint venture | **(480)** | (452) |
| Tax credit | **(83)** | (4,865) |
| Fair value loss on derivatives | **—** | 593 |
| Recycling to income statement from cash flow hedging reserve on forward contracts | **(447)** | (1,086) |
| (Increase)/decrease in trade and other receivables | **(22,436)** | 25,432 |
| Increase/(decrease) in trade and other payables | **9,656** | (107,809) |
| Increase in contract assets | **(15)** | (1,159) |
| Increase in other assets | **(1,171)** | (901) |
| Increase in contract liabilities | **431** | 9,588 |
| Effect of movements in exchange rates on cash held | **(7,219)** | 3,618 |
| Decrease in provisions | **(11,246)** | (4,159) |
| **Net cash inflow/(outflow) from operations** | **2,732** | (56,950) |

* The Group has recognised a deferred tax asset in its consolidated financial statements in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. A deferred tax asset is recognised on the basis that future taxable profits will arise in the consolidated financial statements as a result of the unwind of the deferred tax liability that was already included in those financial statements in relation to intangible assets recognised on a business combination. The adjustment increases deferred tax assets in the statement of financial position by £34.7m as at 31 March 2019 (1 January 2019: £32.4m) and it increases the tax credit in the income statement for the three months ended 31 March 2019 by £2.3m.

### 18 Financial instruments

**Fair value measurement**

Financial assets and liabilities measured at fair value in the interim condensed consolidated financial statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly as prices, or indirectly derived from prices; and
- Level 3: unobservable inputs for the asset or liability.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** (Cont.)

**18 Financial instruments** (Cont.)

**Fair value measurement** (Cont.)

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on an ongoing basis:

| **31 March 2020 (unaudited)** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| **Financial assets at fair value through profit or loss** | | | | |
| UCIS recovered assets | **—** | **—** | **27** | **27** |
| Trade and other receivables | **—** | **—** | **31,452** | **31,452** |
| Cross-currency swaps used in cash flow hedges | **—** | **26,473** | **—** | **26,473** |
| **Financial assets at fair value through other comprehensive income** | | | | |
| Unlisted investments | **—** | **—** | **271** | **271** |
| **Total financial assets at fair value** | **—** | **26,473** | **31,750** | **58,223** |
| Contingent consideration payable | **—** | **—** | **(3,167)** | **(3,167)** |
| Deferred proceeds | **—** | **—** | **(15,000)** | **(15,000)** |
| Forward contracts used in cash flow hedges | **—** | **(7,462)** | **—** | **(7,462)** |
| Cross-currency swaps used in cash flow hedges | **—** | **(167)** | **—** | **(167)** |
| **Total financial liabilities at fair value** | **—** | **(7,629)** | **(18,167)** | **(25,796)** |
| **Net fair value** | **—** | **18,844** | **13,583** | **32,427** |

| **31 December 2019 (audited)** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| Financial assets at fair value through profit or loss | | | | |
| UCIS recovered assets | — | — | 36 | 36 |
| Trade and other receivables | — | — | 32,412 | 32,412 |
| Cross currency swaps used in cash flow hedges | — | 3,063 | — | 3,063 |
| Forward contracts used in cash flow hedges | — | 3,178 | — | 3,178 |
| Financial assets at fair value through other comprehensive income | | | | |
| Unlisted investments | — | — | 271 | 271 |
| Total financial assets at fair value | — | 6,241 | 32,719 | 38,960 |
| Contingent consideration payable | — | — | (3,167) | (3,167) |
| Deferred proceeds | — | — | (15,000) | (15,000) |
| Forward contracts used in cash flow hedges | — | (289) | — | (289) |
| Cross-currency swaps used in cash flow hedges | — | (21,411) | — | (21,411) |
| Total financial liabilities at fair value | — | (21,700) | (18,167) | (39,867) |
| Net fair value | — | (15,459) | 14,552 | (907) |

The following valuation techniques are used for instruments categorised in Levels 2 and 3:

**Derivative financial instruments (Level 2)**

The Group's cross-currency swaps and forward contracts are categorised within level 2 of the fair value hierarchy. These contracts are not traded in an active market but the fair value is determined using valuation techniques that use available market data, such as forward exchange rates corresponding to the maturity of the contract observable at the consolidated statement of financial position date and an appropriate sector credit spread.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** (Cont.)

**18 Financial instruments** (Cont.)

**Fair value measurement** (Cont.)

**UCIS recovered assets (Level 3)**

The UCIS recovered assets are held at their fair value and are categorised within level 3 of the fair value hierarchy. Where no professional valuation is available they are recognised at their published net asset value with an appropriate adjustment applied to the published unit price to reflect their illiquid nature and potentially lower net realisable value.

**Trade and other receivables/contingent consideration receivable (Level 3)**

Trade and other receivables include £0.3m (31 December 2019: £0.3m) at fair value in respect of contingent consideration receivable on the sale of URIS Group's claims business in 2018. This is categorised within level 3 of the fair value hierarchy with the valuation based on management's best estimate of the probability of the successful completion of the requirements set out in the sale and purchase agreement.

Also included in trade and other receivables at 31 March 2020 were assets at fair value through profit or loss that were recognised on a business combination in relation to the Group's right to variable consideration on rolling contracts with customers for which the performance obligation was satisfied prior to the acquisition. The fair value is a level 3 valuation and is calculated as the present value of future cash flows where those cash flows take into account expected cancellation rates and the life of the underlying insurance product.

**Contingent consideration payable and deferred proceeds (Level 3)**

Trade and other payables include £18.2m (31 December 2019: £18.2m) which are measured as financial liabilities at fair value through profit or loss. As at 31 March 2020 the liabilities relate to performance related contingent consideration amounts on an acquisition made in 2017, the acquisition of an associate interest in Sino Insurance Brokers Limited in 2019 and the sale of the Group's 19.9% interest in Bravo (deferred proceeds). They are categorised within level 3 of the fair value hierarchy.

Techniques such as estimated discounted cash flows were used to determine their fair value in line with the calculation specified in the purchase agreement. Financial liabilities in respect of contingent consideration will only be written back if the Group receives confirmation from the vendor that there is no liability outstanding.

**Unlisted investments at fair value through other comprehensive income (Level 3)**

Unlisted investments are categorised within level 3 of the fair value hierarchy. The valuation technique applied is cost less any provision for impairment.

**Fair value of financial instruments measured at amortised cost**

The Directors consider the carrying amounts for trade and other receivables, trade and other payables and the current portion of financial liabilities that are not measured at fair value to approximate their fair values. The fair value of the Group's borrowings is disclosed in note 21.

**Reconciliation of recurring fair value measurements within level 3**

| **31 March 2020 (unaudited)** | **Financial liabilities at FVTPL** | **Financial assets at FVTPL** | **Financial assets at FVTOCI** | **Total** |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| Start of the period | **(18,167)** | **32,448** | **271** | **14,552** |
| Gains and losses | **—** | **3,516** | **—** | **3,516** |
| Settlements | **—** | **(4,485)** | **—** | **(4,485)** |
| **End of the period** | **(18,167)** | **31,479** | **271** | **13,583** |

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 19 Hedge accounting

**Derivatives**

The Group has economic hedge relationships that mitigate foreign exchange risk arising from its USD Notes and USD revenue. It applies hedge accounting for those hedge relationships that meet the hedge accounting criteria detailed in note 3 of the Group's Annual Consolidated Financial Statements. The Group manages all other risks associated with these exposures, such as credit risk, but it does not apply hedge accounting for those risks.

Derivatives are only used for hedging purposes. The Group has the following derivative financial instruments as at 31 March 2020:

| | 31 March 2020 (unaudited) £000 | 31 December 2019 (audited) £000 |
|---|---|---|
| **Non-current assets** | | |
| Forward contracts – cash flow hedges | **—** | 1,635 |
| Cross-currency swaps – cash flow hedges | **19,402** | 74 |
| **Current assets** | | |
| Forward contracts – cash flow hedges | **—** | 1,543 |
| Cross-currency swaps – cash flow hedges | **7,071** | 2,989 |
| **Current liabilities** | | |
| Forward contracts – cash flow hedges | **(3,919)** | — |
| Cross-currency swaps – cash flow hedges | **(167)** | (1,970) |
| **Non-current liabilities** | | |
| Forward contracts – cash flow hedges | **(3,543)** | (289) |
| Cross-currency swaps – cash flow hedges | **—** | (19,441) |
| **Net derivative financial instrument liabilities** | **18,844** | (15,459) |

See note 18 for information on fair values and the assumptions and methods used to measure fair value.

**Cross-currency swaps**

The Group issues foreign currency fixed rate notes for funding purposes. In accordance with its risk management strategy, the Group enters into cross currency swap contracts to mitigate 100% of the risk of fluctuation of coupon and principal cash flows due to changes in foreign currency rates of issued foreign currency debt. These instruments are entered into to match the maturity profile of estimated repayments of the Group's debt. The Group receives a USD coupon matching its interest obligations under the USD Notes, and it pays a fixed GBP coupon at specified half-yearly intervals (January and July).

The Group has designated the cross-currency swaps as cash flow hedge relationships to hedge against movements in USD.

Cross-currency swaps in place at 31 March 2020 covered 100% of the principal USD Notes outstanding and related interest obligations. The fixed interest rates of the swaps range between 7.3% and 9.2%.

Foreign exchange gains and losses arising between the timing of the receipt of the debt proceeds and placement and/or designation of the swap instruments are included as unrealised gains/losses in the period and recorded in finance costs in profit or loss.

**Forward contracts**

The Group enters into forward contracts to mitigate the exposure resulting from USD revenue arising on the placement of premiums denominated in USD, which is not the presentation currency nor functional currency of the Group.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 19 Hedge accounting (Cont.)

**Forward contracts** (Cont.)

Based on forecast transactions, the Group effectively sells accumulated USD revenue by reference to individual brokerage transactions. The Group's track record in receiving USD revenue from long established clients provides a high degree of confidence that forecast transactions are highly probable for hedge accounting purposes.

**Hedging reserves**

The following table provides a reconciliation of components of equity resulting from applying cash flow hedge accounting to derivatives that mitigate foreign exchange risk:

| Three months ended 31 March 2020 | Cash flow hedging reserve | Costs of hedging reserve |
|---|---|---|
| | £000 | £000 |
| Start of the period | 1,128 | 678 |
| **Changes in fair value recognised via other comprehensive income** | | |
| Cross-currency swaps | 47,320 | (1,424) |
| Forward contracts | (10,563) | — |
| **Amounts reclassified to profit or loss** | | |
| Cross-currency swaps | (37,674) | 38 |
| Forward contracts | (449) | — |
| | (1,366) | (1,386) |
| Tax on movements on reserves | 238 | 247 |
| **End of the period** | — | (461) |

The gain/(loss) included in the interim condensed consolidated statement of profit or loss and other comprehensive income during the three months ended 31 March 2020 in relation to items designated as hedging instruments, including hedge ineffectiveness, were as follows:

| | Cross-currency swaps | Forward contracts |
|---|---|---|
| | £000 | £000 |
| **Amounts reclassified from other comprehensive income to profit or loss** | | |
| Commission and fees | — | 449 |
| Other operating costs | — | — |
| Finance costs | 37,636 | — |
| **Hedge ineffectiveness** | | |
| Other operating costs | — | (2) |
| Finance costs | 292 | — |
| **At 31 March 2020 (unaudited)** | 37,928 | 447 |

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 20 Trade and other payables

| | 31 March 2020 (unaudited) £000 | 31 December 2019 (audited) £000 |
|---|---|---|
| Insurance creditors | **321,593** | 312,201 |
| Social security and other taxes | **20,821** | 10,906 |
| Other creditors | **34,072** | 32,588 |
| Contingent consideration payable | **1,062** | 1,062 |
| Deferred proceeds* | **15,000** | 15,000 |
| Deferred income | **377** | 377 |
| Accruals | **44,859** | 56,153 |
| **Total current liabilities** | **437,784** | 428,287 |
| Contingent consideration payable | **2,105** | 2,105 |
| Other financial liabilities | **30** | 30 |
| Other creditors | **10,509** | 9,021 |
| **Total non-current liabilities** | **12,644** | 11,156 |

* On 19 January 2018, the Group disposed of its shareholding in Bravo Investments Holdings Limited (Bravo) to Nevada Investment Holdings 2 Limited (Nevada 2), which was then a related party of the Ardonagh Group due to common shareholders. Nevada 2 subsequently sold its shares in Bravo and its rights and obligations under the sale and purchase agreement to Nevada 4 Midco 1 Limited, a related party of the Group due to common shareholders. £30.0m cash was received on the disposal to Nevada 2. The cash received, plus a further £1.2m, is subject to a contingent clawback mechanism based on the equity value of Bravo on the settlement date. Following a 1 July 2019 amended agreement, the settlement date is a date between 19 January 2020 and 30 September 2020, at the election of Ardonagh, and settlement may be in cash or equity of the Company.

On 18 May 2020, the Group and Nevada 4 Midco 1 Limited boards amended their agreement so that the amount of the clawback is agreed to be £15m and so that it will be settled in a fixed number of shares in the Company and not in cash, where the settlement date continues to be a date on or before 30 September 2020 at the election of the Group.

### 21 Borrowings

| | 31 March 2020 (unaudited) £000 | 31 December 2019 (audited) £000 |
|---|---|---|
| Interest payable | **20,655** | 44,149 |
| Secured loan and other borrowings | **67,759** | — |
| **Total current borrowings** | **88,414** | 44,149 |
| Senior Secured Notes | **1,128,981** | 1,091,689 |
| **Total non-current borrowings** | **1,128,981** | 1,091,689 |

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 21 Borrowings (Cont.)

Senior secured notes comprise the following (excluding interest payable):

| | | | | 31 March 2020 | | 31 December 2019 | |
|---|---|---|---|---|---|---|---|
| Date issued | Currency | Nominal interest rate | Year of maturity | Face value USD/£000 | Carrying amount £000 | Face value USD/£000 | Carrying amount £000 |
| 26.06.2017 | **GBP** | **8.375%** | **2023** | **400,000** | **393,502** | 400,000 | 393,081 |
| 26.06.2017 | **USD** | **8.625%** | **2023** | **520,000** | **413,180** | 520,000 | 387,941 |
| 20.12.2017 | **GBP** | **8.375%** | **2023** | **55,000** | **54,004** | 55,000 | 53,940 |
| 18.11.2018 | **USD** | **8.629%** | **2023** | **235,000** | **170,533** | 235,000 | 159,000 |
| 08.06.2018 | **GBP** | **8.375%** | **2023** | **98,300** | **97,762** | 98,300 | 97,727 |
| Total | | | | **1,308,300** | **1,128,981** | 1,308,300 | 1,091,689 |

Interest is payable on these notes in January and July of each year.

The Group hedges its foreign currency exposure from the senior secured notes as described in note 19.

The fair value of the senior secured notes as at 31 March 2020 and 31 December 2019, which is categorised within level 2 of the fair value hierarchy and is given for disclosure purposes only, is estimated as follows:

| | Carrying amount | Fair value |
|---|---|---|
| | £000 | £000 |
| **Senior Secured Notes at 31 March 2020** | **1,128,981** | **1,011,238** |
| Senior Secured Notes at 31 December 2019 | 1,091,689 | 1,117,571 |

On 26 September 2018, the Group's revolving credit facility (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 (ETV) products. See note 22 for further information relating to ETV redress liabilities.

With effect from 1 December 2019, the contractual limitation on the amount that may be utilised of the Group's RCF was removed.

On 18 March 2020 the RCF facility capacity was extended from £120m to £170m. £45m was drawn on 13 January 2020 and a further £25m on 21 February 2020 leaving £100m undrawn. Permissible RCF drawings are limited by the Group's credit facility basket.

### 22 Provisions

The Group held the following provisions as at 31 March 2020:

| | ETV | Run off | LTIP | Litigation matters |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Start of the period | **47,572** | **2,269** | **312** | **4,591** |
| Additional provisions made during the period | **—** | **—** | **66** | **195** |
| Transferred to other debtors/creditors | **—** | **—** | **201** | **—** |
| Utilised during the period | **(9,056)** | **(862)** | **—** | **(474)** |
| Unused amounts reversed during the period | **—** | **—** | **(16)** | **—** |
| **End of the period** | **38,516** | **1,407** | **563** | **4,312** |

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** (Cont.)

**22 Provisions** (Cont.)

| | Future renewal scheme | Property | Branch closure | Other | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Start of the period | **7,381** | **10,589** | **564** | **1,830** | **75,108** |
| Additional provisions made during the period | **74** | **9** | **—** | **52** | **396** |
| Transferred to other debtors/creditors | **(245)** | **—** | **—** | **—** | **(44)** |
| Utilised during the period | **—** | **(409)** | **(190)** | **(538)** | **(11,529)** |
| Unused amounts reversed during the period | **—** | **(17)** | **(8)** | **(29)** | **(70)** |
| **End of the period** | **7,210** | **10,172** | **366** | **1,315** | **63,861** |

The Group discounts provisions to their present value, where appropriate. The unwinding of the provision discounting is included as an interest charge within finance costs in the interim condensed consolidated statement of profit or loss and other consolidated income.

| Analysis of total provisions | 31 March 2020 | 31 December 2019 |
|---|---|---|
| | (unaudited) £000 | (audited) £000 |
| Non-current – to be utilised in more than one year | **14,914** | 14,457 |
| Current – to be utilised within one year | **48,947** | 60,651 |
| | **63,861** | 75,108 |

### Enhanced Transfer Values (ETV) and run off costs provision

Certain subsidiaries within the Group have obligations to make redress payments in respect of past pension transfer advice. As reported in previous financial statements, management established a provision initially of £51m for the estimated total cost of redress following progress with a client contact programme that enabled the ETV population to be refined, the FCA publishing revised guidance on the calculation of redress and commencement of file reviews. Management also explained they had obtained independent actuarial input into estimating average redress amounts and specialist input for a sample of cases to estimate suitability rates to help inform the estimated cost of redress. In view of the estimation uncertainty in key assumptions, including those for average redress costs and the suitability rate, management acknowledged and disclosed that the ultimate cost could vary materially from the £51m estimate, that the provision would be updated based on experience gained as the redress programme progressed and that the Group's 'going concern' assessment scenarios included up to a 40% deterioration in the quantum of the ETV liabilities as well as a possible acceleration of the settlement profile of the redress cases. At half year 2019 management explained the redress programme was expected to be substantially complete by the end of 2020.

The main redress programme commenced in the third quarter of 2019 and the estimate for the overall cost of redress was increased to £63.5m at 31 December 2019, which remains unchanged at Q1 2020 based on the settlement experience and additional case reviews progressing to settlement during Q2 2020. The provision of £47.6m at 31 December 2019 has reduced to £38.5m after allowing for the payments made during Q1 2020 (£36.6m after allowing for a further £1.9m of payments made since 31 March 2020 at the time of signing this report).

Overall the experience to date remains broadly supportive of previous estimates of average redress costs per case, with continued uncertainty regarding the number of cases that will ultimately be found to require redress as a result of unsuitable advice. Other sources of uncertainty may include changes in economic inputs over the period of the redress programme, potential variances in redress methodology and any future changes in the ETV population.

Management still expect the redress programme to be substantially complete by the end of 2020. Based on the progress made and reducing levels of estimation uncertainty, the Group continues to include in its 'going concern' stress and sensitivity scenarios a deterioration of up to 15% (31 December 2019: 15%) in the estimated quantum of the ETV liabilities as well as a possible acceleration of the settlement profile. As the programme progresses, the results of case reviews will continue to be used to further inform and update the provision as required.

The costs of the review activities are provided for separately within the run-off provision. The balance of the run-off provision as at 31 March 2020 is £1.4m.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 22 Provisions (Cont.)

**LTIP, litigation matters, future renewal scheme, property, branch closures and other provisions**

The Group's Annual Consolidated Financial Statements for the year ended 31 December 2019 contains further details of these provisions.

### 23 Share capital and premium

| | Number of shares authorised (thousands) | Number of shares issued (thousands) | Ordinary shares £000 | Share premium £000 | Total £000 |
|---|---|---|---|---|---|
| **At 1 January 2020** | **880,000** | **732,985** | **7,331** | **740,886** | **748,217** |
| **At 31 March 2020** | **880,000** | **742,340** | **7,425** | **751,583** | **759,008** |
| At 1 January 2019 | 880,000 | 682,495 | 6,826 | 674,391 | 681,217 |
| At 31 December 2019 | 880,000 | 732,985 | 7,331 | 740,886 | 748,217 |

On 6 March 2020, the Group completed purchase of A shares in Atlanta Investment Holdings 3 Limited from non-controlling interests in exchange for cash and issuance of 9,355,019 ordinary shares in The Ardonagh Group Limited (see note 11).

### 24 Related party transactions

During the period, the Group purchased shares from non-controlling interests (see note 11).

### 25 Subsequent events

On 31 January 2020, the Group exchanged contracts in relation to its intention to purchase the entire issued share capital of a target company registered in Ireland for EUR 25.2m, completion of which is conditional upon certain conditions relating to the regulated status of the business. On 18 May 2020, the board of the Company approved the assignment of this SPA from the Group to Arachas Topco Limited, so that the latter is the purchaser. The form of assignment of the SPA has not yet been finalised with the sellers of the target company. Assignment will take place prior to completion of the transaction.

On 24 April 2020, the Group purchased the entire issued share capital of Edwards & Swan Insurance Limited. The consideration paid was £0.7m cash and deferred contingent consideration with a fair value of £0.1m.

On 18 May 2020, the Group and Nevada 4 Midco 1 Limited boards approved an amendment to their agreement so that the amount of the clawback is agreed to be £15m and so that it will be settled in a fixed number of shares in the Company and not in cash, where the settlement date continues to be a date on or before 30 September 2020 at the election of the Group.

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

**Opinion**

In our opinion:

- **the financial statements of The Ardonagh Group Limited (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;**
- **the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;**
- **the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and**
- **the financial statements have been prepared in accordance with the requirements of Companies (Jersey) Law, 1991.**

We have audited the financial statements which comprise:

- the consolidated statement of profit and loss;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows; and
- the related notes, including the accounting policies presented in note 3.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 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 Group and the parent 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.

**Report on the audit of the financial statements** (Cont.)

**Summary of our audit approach**

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|---|---|
| **Key audit matters** | The key audit matters that we identified in the current year were:<br>• Enhanced Transfer Values ('ETV') provision;<br>• Going concern and impact of Covid-19;<br>• Goodwill impairment;<br>• Revenue recognition—Estimation of Variable Consideration reported in Commissions and fees and revaluation of the trail commission asset acquired with Swinton ("Swinton Monthly Products asset") reported in Other income;<br>• Assets under construction;<br>• Presentation of Alternative Performance Measures ('APMs');<br>• Broker Network—Valuation of deferred proceeds financial liability; and<br>• Deferred Tax Assets ('DTAs'). |
| **Materiality** | The materiality that we used for the Group financial statements was £5.2m which was determined on the basis of reported Total Income. |
| **Scoping** | Scoping coverage included 9 entities subject to full scope audits and a further 7 subject to the audit of specified account balances. These scoped in entities represent 94% of Group commission and fee revenue and 93% of Group total assets. |
| **Significant changes in our approach** | There have been no significant changes to our audit approach compared to the prior year except for changes in key audit matters as described below.<br>In the current year new key audit matters were identified for Assets under construction and Deferred Tax Assets. A key audit matter identified in the prior year for provisions for credit exposures in Insurance Broking Accounts ('IBA') balances has not been identified as a key audit matter in the current year. |

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| **Conclusions relating to going concern**<br>We are required by ISAs (UK) to report in respect of the following matters where:<br>• the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or<br>• the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent 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. |

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team.

**Report on the audit of the financial statements** (Cont.)

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the current year new key audit matters were identified for Assets under construction and Deferred Tax Assets. The key audit matters, scope of our audit work and conclusion for these are presented below.

The focus of the revenue recognition key audit matter in the current year was changed to the estimation of variable consideration and revaluation of the Swinton Monthly Products asset, from IFRS 15 transition in the prior year. A key audit matter identified in the prior year for provisions for credit exposures in Insurance Broking Accounts ('IBA') balances has not been identified as a key audit matter in the current year. Through 2019 management has continued to make progress in monitoring and resolving legacy credit exposures in IBA balances. As such it is no longer considered a key audit matter in the current year.

The other key audit matters are consistent with the prior year.

**Enhanced Transfer Values ('ETV') provision**

**Key audit matter description**

Following the 2014 Financial Conduct Authority (FCA) review of the suitability of bulk pension transfer advice by financial advisors where employers offered an enhancement on the value of their defined benefit fund to transfer out, the Group has an obligation to provide customer redress in respect of the ETV pension advice given to customers of the Towergate Financial business. At 31 December 2019 management estimated the total cost of the ETV settlements as £63.5m with a provision remaining of £47.6m (2018: £51m).

Management continue to review a significant population within the overall active population of cases to identify a "causal link" between the advice given when the product was sold and the actions of the customer under guidelines provided by the FCA.

Key assumptions within the provision estimate are:

- the assumed rate of redress across the population based on management's sample of reviews carried out to date; and
- the estimate of average redress per customer where it is concluded a case is due redress.

In determining the average redress per customer, management engaged an actuarial expert.

The related ETV disclosures provide the key assumptions that underpin the provision estimate and the sensitivity of the provision to these key assumptions.

Refer to Note 4 to the financial statements (Key sources of estimation uncertainty) and Note 31 to the financial statements (Provisions).

**Report on the audit of the financial statements** (Cont.)

**How the scope of our audit responded to the key audit matter**

We have gained an understanding of the end to end ETV provision calculation process and obtained an understanding of relevant controls.

In addition we performed the following audit procedures:

- We made enquiries of management to understand how they determined the various components and key assumptions included within the provision estimate, including:
  - The total redress case population and disaggregation into populations of similar attributes;
  - The identification of cases concluded as requiring redress for each population; and
  - The estimate of average customer redress based on assumptions applied to each population.
- We reviewed the output of the Reasonable Assurance engagement over management's causal link assessment of requirement to redress;
- We inspected correspondence with the FCA to identify regulatory observations in relation to the ETV redress process and progress of management's work to date;
- We performed subsequent events testing to evaluate the causal link assumption applied to the applicable active population based on the additional case file reviews carried out after year end;
- We tested the completeness and accuracy of data inputs into the provision calculation through agreeing customer file conclusions to calculation inputs; and
- We reviewed management's financial statement disclosure for appropriate presentation of key assumptions and the uncertainties in the determination of the ETV provision.

With the involvement of our pension actuarial specialists:

- We reviewed the reasonableness of the estimate of average customer redress assumption used in calculating the ETV provision; and
- We evaluated the competence, capabilities and objectivity of management's expert.

**Key observations**

We concluded that the ETV provision recorded by management is reasonable and the key assumptions used in the underlying valuation are also reasonable.

We considered that the disclosures in relation to the ETV provision in Notes 4 and 31 to the financial statements are appropriate.

**Report on the audit of the financial statements** (Cont.)

**Going concern and impact of Covid-19**

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| **Key audit matter description** | Management makes an assessment of the Group's ability to continue as a going concern, taking into account all available information about the future, which is at least, but is not limited to, twelve months from the date when the financial statements are authorised for issue.<br><br>As at 31 December 2019 the Group has debt (current and non-current) amounting to £1.14bn (2018: £1.14bn) following the issuance of £400m and $520m senior secured notes to refinance debt and to finance a number of acquisitions in June 2017, and a further issue of $235m of senior secured notes in November 2018, with the proceeds used to acquire the Swinton Group.<br><br>The Group also continues to benefit from the availability of the Revolving Credit Facility (RCF), and also the Letter of Credit (LOC) issued in October 2018 to support the Group's ETV pension redress.<br><br>The Group's senior secured notes and other sources of debt require significant annual finance costs of £113.6m (2018: £94.7m), which are considered within year end forecast cash flows.<br><br>As part of their going concern assessment, the Directors have considered the principal risks facing the Group, including the potential financial and operational impacts of Covid-19, and its systems of risk management and internal control. In the light of the economic uncertainty caused by Covid-19 the Directors have considered cumulative stresses to their 2020 base case budget of a net reduction in cashflows of over £100m in 2020 and further reductions in 2021. These result from:<br><br>• A sustained 20% shortfall in base case projected income in 2020 and 15% in 2021.<br><br>• A 10% deterioration in base case cash conversion rates over and above the fall in income.<br><br>• A 15% deterioration in the quantum and acceleration of the settlement of the ETV liabilities compared to the base case.<br><br>• Mitigating actions within management control including delayed capital expenditure, a reduction in discretionary spend and some reduction in employee headcount and remuneration.<br><br>The Directors' reverse stress testing further indicates that revenues would need to decline by up to 30% compared to base case in each of the next 7 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 the Group's liquidity limits.<br><br>Auditing the going concern assessment involved subjective judgement and an increased extent of effort, including the need to make additional enquiries of management outside of the finance function.<br><br>Refer to Note 2 to the financial statements for the basis of preparation. |

**Report on the audit of the financial statements** (Cont.)

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| **How the scope of our audit responded to the key audit matter** | We performed the following audit procedures:<br>• We reviewed and challenged key assumptions underpinning cash flow forecasts, the stresses applied and the reverse stress test. In particular we compared market assumptions with other insurance brokers and consulted with our insurance industry specialists. We challenged stresses applied to revenues; mitigating cost actions within management's control and tested the availability of the Revolving Credit Facility (RCF);<br>• We made enquiries of senior management in relation to their assessment of the operational impacts of Covid-19 on the Group, including enquiries in relation to business resilience;<br>• We performed an analysis of the Group's prior year and year to date actual cash flows against management's forecasts;<br>• We inspected correspondence between the Group and its regulators related to the Group's responses to the emergence of Covid-19; and<br>• We reviewed financial statement disclosures in respect of going concern for transparency and inclusion of all facts and circumstances of which we are aware through the performance of the audit work. |
| **Key observations** | We agree with the Directors' conclusion in respect of the going concern basis (as set out in Note 2 to the financial statements) and we consider the disclosure of the potential impact of Covid-19 in the financial statements to be appropriate. |

**Goodwill impairment**

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| **Key audit matter description** | Goodwill arising on business combinations is a significant asset on the balance sheet of the Group £732.5m (2018: £678.8m). As required by IAS 36 Impairment of Assets, goodwill is tested for impairment at least annually.<br>During 2019 management continued to monitor goodwill at the operating segment level. Determining whether goodwill is impaired requires an estimation of the recoverable amount of each operating segment, using the higher of value in use (VIU) and fair value less costs to sell (FVLCS).<br>The estimated recoverable amount is subjective and calculated using a valuation model underpinned by key assumptions including forecast cash flows, discount rates and long term growth rates.<br>Both a VIU and FVLCS approach was used to assess the recoverable amount of all operating segments.<br>We focused our testing on the operating segments where performance was below plan through 2019 and where limited headroom exists such that on calculating the recoverable amount there is increased risk of impairment.<br>Refer to Note 4 to the financial statements (Key sources of estimation uncertainty) and Note 13 to the financial statements (Intangible assets). |

**Report on the audit of the financial statements** (Cont.)

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| **How the scope of our audit responded to the key audit matter** | We have gained an understanding of management's process for performing the annual impairment test and obtained an understanding of relevant controls.<br>In addition we performed the following audit procedures:<br>• We performed a sensitivity analysis on forecast growth rates applied to segments with limited headroom and where a higher risk of impairment exists;<br>• We challenged the assumptions used in the annual impairment review, in particular forecast growth rates applied to each operating segment within the five year business plan through assessing segment strategies and planned business development. We focused our testing on operating segments where performance was below plan in 2019 and where limited headroom exists such that on calculating the recoverable amount there is increased risk of impairment;<br>• We tested the accuracy of management's impairment model;<br>• We performed an assessment of actual current period cash flows against prior period forecasts to assess the accuracy of managements forecasting; and<br>• With the involvement of our valuation specialists we reviewed and challenged key assumptions within the valuation model, including discount rates and price-earnings multiples including benchmarking these against external peer group data. |
| **Key observations** | We considered that management's conclusion that no impairment is required as of 31 December 2019 is reasonable.<br>The forecasts used in the annual impairment exercise were consistent with the most recent financial forecasts approved by the Board.<br>Key assumptions including discount rates and growth rates used within business forecasts are reasonable. |

## Report on the audit of the financial statements (Cont.)

**Revenue recognition – Estimation of variable consideration and revaluation of the trail commission asset acquired with Swinton ("Swinton Monthly Products asset")**

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| **Key audit matter description** | In accordance with ISA 240, during the year ended 31 December 2019 we identified a risk of fraud in revenue recognition, Commissions and fees £640.7m (2018: £521.9m) and Other Income £22.2m (2018: £2.6m), in relation to two sources of material revenue within the Group being:<br><br>**Estimation of variable consideration** – Components of the Group recognise income from profit share arrangements and trading deals. Revenue recognised under these arrangements is dependent on satisfying its performance obligations per underlying agreements and the amount and timing of revenue recognition is inherently uncertain. Management apply judgement in estimating the related variable consideration, which is measured on a best estimate basis through applying assumptions including loss ratios and claims handling costs; and<br><br>**Revaluation of Swinton monthly products asset** – The Swinton business acquired on 31 December 2018 has significant trail commissions arising from certain products that renew monthly. Under acquisition accounting the amounts receivable were estimated and fair valued using a discounted cashflow model over the expected life of each type of product. At the year end, this receivable is revalued and any revaluation gains are recorded as Other income. Management applies judgement in calculating the present value of future cash flows, including past experience, a best estimate of any associated risks, product lifetime restrictions, expected customer cancellation profiles and potential persistency of products. We focus our testing on the most judgemental assumptions being the customer cancellation profiles and product lifetime restrictions. Refer to Note 3 to the financial statements (Accounting policies), Note 4 to the financial statements (Key sources of estimation uncertainty) and Note 5 to the financial statements (Segmental analysis). |
| **How the scope of our audit responded to the key audit matter** | We have gained an understanding of management's process for recording revenue across the Group's components and obtained an understanding of relevant controls.<br><br>In addition we performed the following audit procedures:<br><br>**Estimation of variable consideration:**<br>• Reviewed corroborating and contradictory third party evidence;<br>• Tested the appropriateness of input data such as Loss Ratios and Earned Premium amounts;<br>• Reviewed evidence after the balance sheet date to confirm the reliability of the year end estimate; and<br>• Challenged the appropriateness of management's assumptions in calculating the estimate.<br><br>**Revaluation of Swinton monthly products asset:**<br>• With the involvement of our modelling specialists we "built" a model in accordance with management's accounting policy to recalculate the fair value of the Swinton monthly products asset;<br>• We tested the completeness and accuracy of data inputs into the model through agreement of a sample to policy documentation; and<br>• We challenged management on key assumptions included within the model being the product lifetime restrictions and customer cancellation profiles. We tested the accuracy of the 2019 customer cancellation forecast made at the end of 2018 with a hindsight analysis. |

**Report on the audit of the financial statements** (Cont.)

**Key observations**

We concluded estimated variable consideration balances recorded by management are appropriate.

We concluded that the cancellation profiles, supported by retrospective analysis of the cancellation profiles forecast for 2019, are reasonable.

We concluded that the expected product lifetime restrictions used in the valuation are reasonable.

**Assets under construction**

**Key audit matter description**

The Group has invested significantly in improving IT infrastructure and software. This has resulted in capitalisation of costs and creation of internally generated intangible assets on the balance sheet recognised as "assets under construction" of £7.7m (2018: £26.5m).

Under IAS 38 Intangible Assets, research costs are expensed whilst development costs can be capitalised. Management are required to assess the difference between research costs and development costs, which is an area of judgement.

We focused our testing on costs which have been capitalised in the year as development costs and whether assets under construction remain at year end or whether assets are in use and should therefore be recognised as a completed asset and be amortised.

Refer to Note 13 to the financial statements (Intangible assets).

**How the scope of our audit responded to the key audit matter**

We have gained an understanding of management's process for developing internally generated intangible assets and obtained an understanding of relevant controls.

In addition we performed the following audit procedures:

- We challenged management on the rationale for assets that have been recognised as under construction for an extended period of time;
- We reviewed management's assessment of research costs versus development costs to assess compliance with IAS 38 and its application to a sample of projects;
- We performed substantive testing on a sample of projects and costs agreeing to supporting documentation; and
- We assessed the appropriateness of disclosures within the annual report.

**Key observations**

We concluded the assets under construction balance recorded by management is appropriate.

**Report on the audit of the financial statements** (Cont.)

**Presentation of Alternative Performance Measures ('APMs')**

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| **Key audit matter description** | Adjusted EBITDA is a key metric that management use to assess the quality of the Group's earnings. It removes adjusting items ("Items excluded from Adjusted EBITDA"), being significant acquisition and disposal related items and other costs associated with the ongoing transformation of the Group. Pro formas are presented as if the significant acquisition and disposal related transactions occurred on the first day of the comparative period.<br><br>The Group reports Items excluded from Reported Adjusted EBITDA of £68.2m (2018: £80.5m), and Adjusted EBITDA pro forma for completed transactions of £70.8m (2018: £117.7m) in the Annual Report.<br><br>This measure and other such non-GAAP measures used are Alternative performance measures ("APMs"). An APM is defined by European Securities and Markets Authority ("ESMA") as "a financial measure of historical or future performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework (e.g. EU-adopted IFRS) applied by the entity".<br><br>The Group has in place adjusting items definitions (see Glossary in Section 3 of the Annual Report) and a risk exists that this is not consistently applied across the Group. In addition, there is a risk that these adjusting items are not clearly disclosed and undue prominence is given to APMs compared to the statutory results of the Group within the financial statements.<br><br>Refer to section 1 of the annual report (Summary of Group Financial Performance) and section 3 of the annual report (Other unaudited financial information). |
| **How the scope of our audit responded to the key audit matter** | We have gained an understanding of management's process for identifying adjusting items across the Group and obtained an understanding of relevant controls.<br><br>We performed the following audit procedures:<br><br>• We tested management's calculation and reporting for a sample of Items excluded from Adjusted EBITDA to assess consistency with the Group's published definitions and policies for these items set out in the Glossary in Section 3 of the Annual Report;<br><br>• We considered and assessed whether the use of APMs in the Group's Annual Report is consistent with the guidelines produced by regulators such as the European Securities and Markets Authority ("ESMA") guidelines on the use of APMs, and the FRC Alternative Performance Measures Thematic Review published in November 2017;<br><br>• We considered whether there is an appropriate balance between the use of statutory metrics, Pro Forma Adjusted EBITDA and other APMs, together with clear definitions and reconciliations within the Annual Report;<br><br>• We considered the prominence given to Pro Forma Adjusted EBITDA and other APMs relative to the Group's statutory results; and<br><br>• We considered whether Pro Forma Adjusted EBITDA and other APMs were consistently applied in the current year Annual Report and as presented in the prior year annual report. |

**Report on the audit of the financial statements** (Cont.)

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| | Our sample of items presented as adjusting were concluded as being in accordance with the Group's definitions. |
| **Key observations** | We considered that the Group's use and presentation of Alternative Performance Measures was acceptable and consistently applied. |

**Broker Network - Valuation of deferred proceeds financial liability**

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| **Key audit matter description** | In January 2018 the Group dispose of its shareholding in Broker Network to a related party investment vehicle, backed by funds managed by the Group's two largest shareholders.<br><br>Cash consideration of £30m was received for the shareholding which included a fair value component at the point of sale of £10m, and a future expected value component of £20m. The original transaction agreement included a clawback mechanism, based on the future equity value generated by Broker Network, where if an anticipated return is not reached over a two year time horizon to 19 January 2020 (the "adjustment date"), the Group would have been required to compensate the purchaser up to a maximum of £31.2m.<br><br>In July 2019 an amendment to the original transaction agreement was made which altered the adjustment date to be the earlier of a majority sale or a date falling between 19 January 2020 and 30 September 2020. The clawback mechanism, based on the same terms as the original transaction agreement, could require the Group to compensate the purchaser up to a maximum £36.4m. A further amendment gives the Group the option to equity settle the liability.<br><br>In accounting for this transaction, management exercised significant judgement in determining:<br><br>• The achieved Internal Rate of Return ('IRR') at a date falling between 19 January 2020 and 30 September 2020 and hence the value of the clawback liability at that future adjustment date.<br><br>Refer to Note 4 to the financial statements (Key judgements and sources of estimation uncertainty) and Note 18 to the financial statements (Investment in associate and joint ventures). |
| **How the scope of our audit responded to the key audit matter** | We have gained an understanding of management's process for assessing the equity value of Broker Network and obtained an understanding of relevant controls.<br><br>We performed the following audit procedures:<br><br>• We reviewed Broker Network transactions throughout 2019 and obtained evidence for which aggregating deals had completed;<br><br>• We reviewed signed letters of intent (LOIs) for deals expected to be completed in 2020;<br><br>• We agreed data inputs into the valuation model to the budgets provided by Broker Network;<br><br>• We tested management's methodology and valuation approach in respect of the revaluation of the clawback liability at the balance sheet date 31 December 2019, and across a range of forecast valuation dates between 19 January 2020 and 30 September 2020 (it is noted management's intended settlement date is June 2020); and<br><br>• We reviewed financial statement disclosures for transparency and completeness of information. |

**Report on the audit of the financial statements** (Cont.)

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| **Key observations** | We concluded that the valuation of deferred proceeds financial liability recorded by management is reasonable. |

**Deferred Tax Assets**

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|---|---|
| **Key audit matter description** | The 2018 financial statements disclosed an unrecognised deferred tax asset of £21m in respect of a corporate interest deduction disallowance arising from excess interest deductions.<br><br>During the year management concluded that it was appropriate to amend the recognition of such deferred tax assets through a prior year restatement. A deferred tax asset of £22.5m is now recognised in the balance sheet at 31 December 2019 and £21.9m at 31 December 2018 in respect of excess interest deductions.<br><br>Where suitable reversing taxable temporary differences exist, an entity is required to recognise a deferred tax asset up to the maximum level of interest deductibility that the reversal of the taxable temporary timing difference will create. A deferred tax asset in respect of interest deductions carried forward should be recognised even if the Group expects to generate further excess interest deductions. This approach had not been applied by the Group in the prior years.<br><br>At 31 December 2018 and 2017 the Group recognised a deferred tax liability for intangibles arising on consolidation in respect of business combinations. The recovery of the intangible asset for its carrying value will produce taxable profits (being the same future cash flows supporting the carrying value, but for tax purposes no deductions are given for the amortisation); there is therefore a temporary difference on which a deferred tax liability is recognised.<br><br>Under IAS 12 Income Taxes, to the extent that certain criteria are satisfied, the deferred tax liability for intangibles should be regarded as a source of future taxable profits in assessing deferred tax recoverability.<br><br>In order to comply with this reassessment of the recognition of the deferred tax assets, management had to produce a detailed reassessment of deferred tax assets and objective sources of taxable income at 31 December 2017, 2018 and 2019.<br><br>Refer to Note 30 of the financial statements (Current and Deferred Tax). |
| **How the scope of our audit responded to the key audit matter** | We performed the following audit procedures:<br>• We assessed management's revised current and prior year approach to recognising DTAs;<br>• We involved tax accounting specialists with the proposed prior year restatement assessment;<br>• We tested management's approach to calculating the prior period restatement in accordance with the assessment criteria; and<br>• We reviewed the relevant tax restatement disclosures in the financial statements for transparency. |
| **Key observations** | We agree with the revised assessment of the recognition criteria applied to the deferred tax asset.<br><br>We agree that this matter should be treated as a prior year restatement under IAS 8 Accounting Policies, Changes in Estimates and Errors and that the deferred tax assets recognised in the current and restated prior year financial statements are reasonable. |

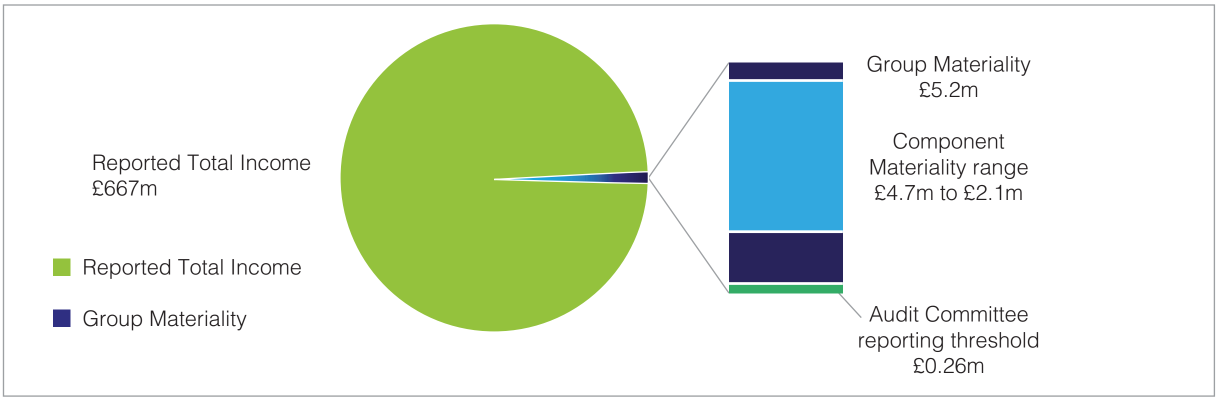
**Report on the audit of the financial statements** (Cont.)

**Our application of materiality**

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Group financial statements | Parent company financial statements |
|---|---|---|
| **Materiality** | £5.2m (2018: £4.5m) | £4.7m (2018: £4.1m) |
| **Basis for determining materiality** | 0.78% (2018: 0.86%) of Reported Total Income of the Group | 0.66% (2018: 0.63%) of Net Assets of the company |
| **Rationale for the benchmark applied** | Reported Total Income is determined to be the key driver behind the performance of the Group going forward and is therefore of key interest to the shareholders | Net assets is determined to be the materiality benchmark given the activities of the company. A non-trading holding company with principal activities being to hold intercompany subordinated debt and investment in subsidiaries |




**Performance materiality**

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 60% of Group materiality for the 31 December 2019 audit (2018: 60%).

In determining performance materiality, we considered factors including: our risk assessment, including our assessment of the Group's overall control environment and that we consider it is not appropriate to rely on controls over a number of business processes; and the level and nature of corrected and uncorrected misstatements in the prior year.

**Error reporting threshold**

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £260K (2018: £225k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

**Report on the audit of the financial statements** (Cont.)

**An overview of the scope of our audit**

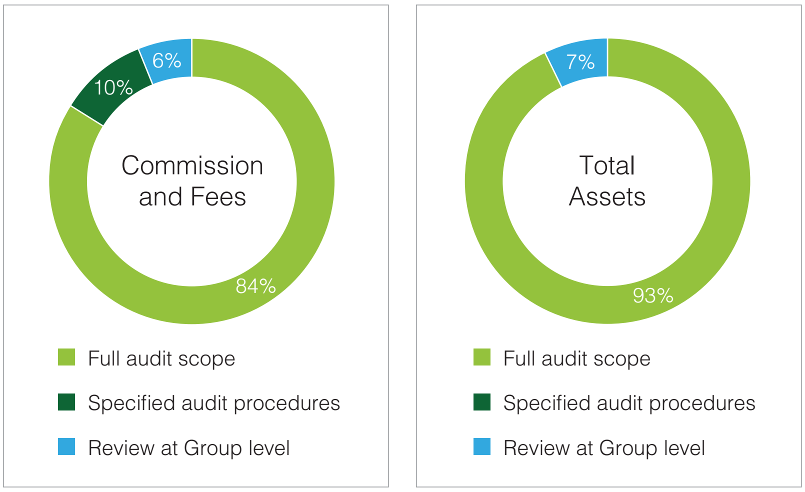
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

Given the number of components and operating locations within the Group, we assessed the extent of audit work required to be performed to give appropriate coverage for the purposes of the Group financial statement audit.

Of the Group's 16 reporting components, we subjected 9 to full scope audits for Group purposes and 7 to specified risk-focused audit procedures. Those subjected to specified risk-focussed audit procedures are not individually financially significant enough to require full scope audit for Group purposes, but did present specific areas of risk which needed to be addressed.

Work on 5 components was carried out by the Group audit team. Work on 11 components was carried out by component audit teams across the UK. We directed and supervised their work providing instructions setting out the scope of work to be performed for the purposes of Group sign off, and the form and content of the component auditor's communication with the Group engagement team.

For residual balances, we performed an analysis at an aggregated Group level to reconfirm our assessment that there were no risks of material misstatement.




**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.<br><br>Our opinion on the financial statements does not cover the other information and 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.<br><br>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. |

**Report on the audit of the financial statements** (Cont.)

**Responsibilities of directors**

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

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent 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 Group or the parent 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.

**Report on other legal and regulatory requirements**

**Matters on which we are required to report by exception Adequacy of explanations received and accounting records**

Under the Companies (Jersey) Law, 1991 we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the parent company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements are not in agreement with the accounting records and returns.

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 Article 113A of the Companies (Jersey) Law, 1991. 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**
For and on behalf of Deloitte LLP
London, UK
22 April 2020

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

| | Note | **Year ended 31 December 2019** | Restated* Year ended 31 December 2018 |
|---|---|---|---|
| | | **£000** | £000 |
| Commission and fees | 5 | **640,662** | 521,901 |
| Other income | 5 | **22,168** | 2,572 |
| Investment income | 5 | **2,657** | 2,106 |
| Salaries and associated costs | 5 | **(321,556)** | (291,372) |
| Other operating costs | 5 | **(231,655)** | (211,211) |
| Impairment of financial assets | 5 | **(14,465)** | (5,061) |
| Depreciation, amortisation and impairment of non-financial assets | 5 | **(95,713)** | (71,284) |
| Adjustment to goodwill in respect of prior years | 5 | **—** | (3,095) |
| Fair value (loss)/gain on derivatives | 5 | **(604)** | 2,485 |
| Share of profit from joint venture | 18 | **1,680** | 1,777 |
| Share of profit from associate | 18 | **217** | — |
| **Operating profit/(loss)** | | **3,391** | (51,182) |
| Adjustment to gain on disposal of associate | 5 | **1,750** | 7,482 |
| Gain on disposal of business | 11 | **2,244** | 19 |
| Finance costs | 8 | **(113,606)** | (94,655) |
| Finance income | 8 | **2,003** | 533 |
| **Loss before tax** | | **(104,218)** | (137,803) |
| Tax credit | 12 | **30,216** | 35,109 |
| **Loss for the year** | | **(74,002)** | (102,694) |
| **Attributable to:** | | | |
| Owners of the parent | | **(77,826)** | (106,751) |
| Non-controlling interests | | **3,824** | 4,057 |
| **Loss for the year** | | **(74,002)** | (102,694) |

* The Group has recognised a deferred tax asset in its consolidated financial statements in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. A deferred tax asset is recognised on the basis that future taxable profits will arise in the consolidated financial statements as a result of the unwind of the deferred tax liability that was already included in those financial statements in relation to intangible assets recognised on a business combination. The adjustment increases deferred tax assets and decreases retained losses in the statement of financial position by £32.4m as at 31 December 2018 (1 January 2018: £23.5m), and it increases the tax credit in the income statement for the year ended 31 December 2018 by £8.9m.

The notes on pages 63 to 164 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

| | Note | **Year ended 31 December 2019** | Restated* Year ended 31 December 2018 |
|---|---|---|---|
| | | **£000** | £000 |
| **Loss for the year** | | **(74,002)** | (102,694) |
| **Other comprehensive income** | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Exchange differences on translating foreign operations | | **318** | — |
| Change in costs of hedging reserve | | **(2,153)** | 1,261 |
| Change in cash flow hedging reserve | | **11,493** | 2,521 |
| Income tax relating to these items | | **(1,588)** | (1,159) |
| **Other comprehensive income for the year** | | **8,070** | 2,623 |
| **Total comprehensive loss for the year** | | **(65,932)** | (100,071) |
| **Attributable to:** | | | |
| Owners of the parent | | **(69,756)** | (104,128) |
| Non-controlling interests | | **3,824** | 4,057 |
| **Total comprehensive loss for the year** | | **(65,932)** | (100,071) |

* The Group has recognised a deferred tax asset in its consolidated financial statements in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. A deferred tax asset is recognised on the basis that future taxable profits will arise in the consolidated financial statements as a result of the unwind of the deferred tax liability that was already included in those financial statements in relation to intangible assets recognised on a business combination. The adjustment increases deferred tax assets and decreases retained losses in the statement of financial position by £32.4m as at 31 December 2018 (1 January 2018: £23.5m), and it increases the tax credit in the income statement for the year ended 31 December 2018 by £8.9m.

The notes on pages 63 to 164 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

| | Note | **31 December 2019** | Restated* 31 December 2018 | Restated* 1 January 2018 |
|---|---|---|---|---|
| | | **£000** | £000 | £000 |
| **Non-current assets** | | | | |
| Intangible assets | 13 | **1,112,194** | 1,095,203 | 1,102,781 |
| Property, plant and equipment | 14 | **26,168** | 37,008 | 31,690 |
| Right-of-use assets | 15 | **36,209** | — | — |
| Investment in associates and joint ventures | 18 | **7,420** | 3,340 | 8,119 |
| Financial assets at fair value through other comprehensive income | 25 | **271** | 271 | 268 |
| Trade and other receivables | 20 | **15,756** | 17,500 | — |
| Contract assets | 21 | **1,708** | 2,279 | 1,130 |
| Other assets | 22 | **9,037** | 3,706 | 9,579 |
| Deferred tax asset | 30 | **22,687** | — | — |
| Derivatives | 26 | **1,709** | 1,549 | 1,130 |
| | | **1,233,159** | 1,160,856 | 1,154,837 |
| **Current assets** | | | | |
| Cash and cash equivalents | 19 | **410,903** | 504,956 | 332,916 |
| Trade and other receivables | 20 | **155,573** | 255,216 | 104,613 |
| Derivatives | 26 | **4,532** | 2,929 | — |
| Contract assets | 21 | **9,801** | 10,315 | 13,938 |
| Other assets | 22 | **19,098** | 16,266 | 5,091 |
| Financial assets at fair value through profit or loss | 25 | **36** | 42 | 37 |
| Current tax asset | 30 | **—** | 565 | 930 |
| Assets held for sale | 11 | **3,735** | 26,753 | — |
| | | **603,678** | 817,042 | 457,525 |
| **Current liabilities** | | | | |
| Trade and other payables | 27 | **(428,287)** | (517,442) | (332,729) |
| Borrowings | 29 | **(44,149)** | (39,895) | (71,286) |
| Lease liabilities | 15 | **(10,084)** | — | — |
| Premium financing liabilities | 28 | **(4,341)** | (72,072) | — |
| Derivatives | 26 | **(1,970)** | (3,529) | (3,743) |
| Contract liabilities | 21 | **(26,829)** | (15,400) | (11,973) |
| Provisions | 31 | **(60,651)** | (55,361) | (33,020) |
| Current tax liability | 30 | **(130)** | — | — |
| Liabilities held for sale | 11 | **(1,754)** | (1,976) | — |
| | | **(578,195)** | (705,675) | (452,751) |
| **Net current assets** | | **25,483** | 111,367 | 4,774 |
| **Non-current liabilities** | | | | |
| Trade and other payables | 27 | **(11,156)** | (21,423) | (854) |
| Borrowings | 29 | **(1,091,689)** | (1,104,457) | (825,070) |
| Lease liabilities | 15 | **(33,021)** | — | — |
| Derivatives | 26 | **(19,730)** | (9,603) | (37,182) |
| Deferred tax liability | 30 | **—** | (1,018) | (36,328) |
| Contract liabilities | 21 | **(1,471)** | (2,425) | (3,743) |
| Provisions | 31 | **(14,457)** | (31,740) | (44,317) |
| | | **(1,171,524)** | (1,170,666) | (947,494) |
| **Net assets** | | **87,118** | 101,557 | 212,117 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

| | Note | **31 December 2019** | Restated* 31 December 2018 | Restated* 1 January 2018 |
|---|---|---|---|---|
| | | **£000** | £000 | £000 |
| **Capital and reserves attributable to the Group's shareholders** | | | | |
| Share capital | 32 | **7,331** | 6,826 | 6,826 |
| Share premium | 32 | **740,886** | 674,391 | 674,391 |
| Retained losses** | | **(649,006)** | (571,495) | (464,969) |
| Hedging reserves | | **1,806** | (5,946) | (8,456) |
| Non-controlling interest reserve | | **(7,377)** | (2,495) | (6,533) |
| Treasury share reserve** | | **(11,015)** | (102) | — |
| Foreign currency translation reserve | | **304** | (14) | (14) |
| Shareholders' equity | | **82,929** | 101,165 | 201,245 |
| Non-controlling interest | | **4,189** | 392 | 10,872 |
| **Total equity** | | **87,118** | 101,557 | 212,117 |

* The Group has recognised a deferred tax asset in its consolidated financial statements in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. A deferred tax asset is recognised on the basis that future taxable profits will arise in the consolidated financial statements as a result of the unwind of the deferred tax liability that was already included in those financial statements in relation to intangible assets recognised on a business combination. The adjustment increases deferred tax assets and decreases retained losses in the statement of financial position by £32.4m as at 31 December 2018 (1 January 2018: £23.5m), and it increases the tax credit in the income statement for the year ended 31 December 2018 by £8.9m.

** The Group subsumed its share-based payment reserve, which was previously presented separately, within retained losses. The amount subsumed was £0.2m at 31 December 2018. The Group also reclassified amounts that relate to the purchase of own shares from retained losses to a treasury shares reserve. The amount of the reclassification is £0.1m at 31 December 2018.

The notes on pages 63 to 164 form an integral part of these consolidated financial statements.

This set of consolidated financial statements was approved by the Board of Directors on 22 April 2020 and was signed on its behalf by:

**D Cougill**
**Director**

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

| | Share capital | Convertible equity certificates | Share premium | Retained losses* | Hedging reserves |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **Restated* at 1 January 2019** | **6,826** | **—** | **674,391** | **(571,495)** | **(5,946)** |
| Transition to IFRS 16 | **—** | **—** | **—** | **59** | **—** |
| **Adjusted at 1 January 2019** | **6,826** | **—** | **674,391** | **(571,436)** | **(5,946)** |
| (Loss)/profit for the period | **—** | **—** | **—** | **(77,826)** | **—** |
| Other comprehensive income | **—** | **—** | **—** | **—** | **7,752** |
| | **6,826** | **—** | **674,391** | **(649,262)** | **1,806** |
| Share based payment scheme | **—** | **—** | **—** | **256** | **—** |
| Purchase of own shares | **—** | **—** | **—** | **—** | **—** |
| Issue of convertible equity certificates | **—** | **67,000** | **—** | **—** | **—** |
| Convertible equity certificates converted to shares | **505** | **(67,000)** | **66,495** | **—** | **—** |
| Transactions with non-controlling interest | **—** | **—** | **—** | **—** | **—** |
| **At 31 December 2019** | **7,331** | **—** | **740,886** | **(649,006)** | **1,806** |

| | Treasury share reserve | Non-controlling interest reserve | Foreign currency translation reserve | Total shareholders' equity | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| **Restated* at 1 January 2019** | **(102)** | **(2,495)** | **(14)** | **101,165** | **392** | **101,557** |
| Transition to IFRS 16 | — | — | — | 59 | 42 | 101 |
| **Adjusted at 1 January 2019** | **(102)** | **(2,495)** | **(14)** | **101,224** | **434** | **101,658** |
| (Loss)/profit for the period | **—** | **—** | **—** | **(77,826)** | **3,824** | **(74,002)** |
| Other comprehensive income | **—** | **—** | **318** | **8,070** | **—** | **8,070** |
| | **(102)** | **(2,495)** | **304** | **31,468** | **4,258** | **35,726** |
| Share based payment scheme | **—** | **—** | **—** | **256** | **—** | **256** |
| Purchase of own shares | **(10,913)** | **—** | **—** | **(10,913)** | **—** | **(10,913)** |
| Issue of convertible equity certificates | **—** | **—** | **—** | **67,000** | **—** | **67,000** |
| Convertible equity certificates converted to shares | **—** | **—** | **—** | **—** | **—** | **—** |
| Transactions with non-controlling interest | **—** | **(4,882)** | **—** | **(4,882)** | **(69)** | **(4,951)** |
| **At 31 December 2019** | **(11,015)** | **(7,377)** | **304** | **82,929** | **4,189** | **87,118** |

* The Group has recognised a deferred tax asset in its consolidated financial statements in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. A deferred tax asset is recognised on the basis that future taxable profits will arise in the consolidated financial statements as a result of the unwind of the deferred tax liability that was already included in those financial statements in relation to intangible assets recognised on a business combination. The adjustment increases deferred tax assets and decreases retained losses in the statement of financial position by £32.4m as at 31 December 2018 (1 January 2018: £23.5m), and it increases the tax credit in the income statement for the year ended 31 December 2018 by £8.9m. The Group also subsumed its share-based payment reserve, which was previously presented separately, within retained losses. The amount subsumed was £0.2m at 31 December 2018. The Group also reclassified amounts that relate to the purchase of own shares from retained losses to a treasury shares reserve. The amount of the reclassification is £0.1m at 31 December 2018.

The notes on pages 63 to 164 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2018

| | Share capital | Share premium | Retained losses* | Hedging reserves | Reclassified* Treasury share reserve |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Restated* at 1 January 2018 | 6,826 | 674,391 | (481,828) | (7,985) | — |
| Transition to IFRS 9 and IFRS 15 | — | — | 14,620 | (471) | — |
| Opening NCI adjustment | — | — | 2,239 | — | — |
| Adjusted at 1 January 2018 | 6,826 | 674,391 | (464,969) | (8,456) | — |
| Loss for the period | — | — | (106,751) | — | — |
| Other comprehensive income | — | — | — | 2,623 | — |
| | 6,826 | 674,391 | (571,720) | (5,833) | — |
| Distribution to non-controlling interest | — | — | — | — | — |
| Transactions with non-controlling interest | — | — | — | — | — |
| Reclassification of reserves | — | — | — | (113) | — |
| Share based payment scheme | — | — | 225 | — | — |
| Purchase of own shares | — | — | — | — | (102) |
| At 31 December 2018 | 6,826 | 674,391 | (571,495) | (5,946) | (102) |

| | Non-controlling interest reserve | Foreign currency translation reserve | Total shareholders' equity | Non-controlling interest | Total equity |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Restated* at 1 January 2018 | (6,533) | (14) | 184,857 | 11,212 | 196,069 |
| Transition to IFRS 9 and IFRS 15 | — | — | 14,149 | 1,899 | 16,048 |
| Opening NCI adjustment | — | — | 2,239 | (2,239) | — |
| Adjusted at 1 January 2018 | (6,533) | (14) | 201,245 | 10,872 | 212,117 |
| Loss for the period* | — | — | (106,751) | 4,057 | (102,694) |
| Other comprehensive income | — | — | 2,623 | — | 2,623 |
| | (6,533) | (14) | 97,117 | 14,929 | 112,046 |
| Distribution to non-controlling interest | — | — | — | (192) | (192) |
| Transactions with non-controlling interest | 3,925 | — | 3,925 | (14,345) | (10,420) |
| Reclassification of reserves | 113 | — | — | — | — |
| Share based payment scheme | — | — | 225 | — | 225 |
| Purchase of own shares | — | — | (102) | — | (102) |
| At 31 December 2018 | (2,495) | (14) | 101,165 | 392 | 101,557 |

* The Group has recognised a deferred tax asset in its consolidated financial statements in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. A deferred tax asset is recognised on the basis that future taxable profits will arise in the consolidated financial statements as a result of the unwind of the deferred tax liability that was already included in those financial statements in relation to intangible assets recognised on a business combination. The adjustment increases deferred tax assets and decreases retained losses in the statement of financial position by £32.4m as at 31 December 2018 (1 January 2018: £23.5m), and it increases the tax credit in the income statement for the year ended 31 December 2018 by £8.9m. The Group also subsumed its share-based payment reserve, which was previously presented separately, within retained losses. The amount subsumed was £0.2m at 31 December 2018. The Group also reclassified amounts that relate to the purchase of own shares from retained losses to a treasury shares reserve. The amount of the reclassification is £0.1m at 31 December 2018.

The notes on pages 63 to 164 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 DECEMBER 2019

| | Note | **Year ended 31 December 2019** | Restated* Year ended 31 December 2018 |
|---|---|---|---|
| | | **£000** | £000 |
| **Cash flows from operating activities** | | | |
| Net cash inflow from operations | 23 | **98,419** | 68,818 |
| Interest paid | | **(2)** | (40) |
| Interest received | | **2,003** | 516 |
| Investment income | | **2,657** | 2,106 |
| Income from joint venture | 18 | **1,400** | 1,200 |
| Tax received/(paid) | | **1,090** | (528) |
| Settlement of forward contracts | | **(3,484)** | (691) |
| **Net cash inflow from operating activities** | | **102,083** | 71,381 |
| **Cash flows from investing activities** | | | |
| Acquisition of businesses net of cash acquired | 16 | **8,827** | (143,388) |
| Purchase of property, plant and equipment | 14 | **(4,687)** | (2,373) |
| Receipt from sale of property, plant and equipment | | **3,003** | — |
| Purchase of intangible fixed assets | 13 | **(13,284)** | (19,735) |
| Purchase of shares in an associate | | **(1,483)** | — |
| Disposal of associate | | **28,699** | 52,828 |
| Disposal of business | 11 | **—** | (6,997) |
| Contingent consideration received | | **673** | 12,400 |
| Contingent consideration paid | | **(1,712)** | (7,310) |
| Lease incentives received | | **1,566** | — |
| Repayment of lease receivable | | **519** | — |
| **Net cash inflow/(outflow) from investing activities** | | **22,121** | (114,575) |
| **Cash flows from financing activities** | | | |
| Proceeds from new loan notes | | **—** | 261,256 |
| Proceeds from borrowings | | **—** | 15,000 |
| Repayment of borrowings | | **—** | (45,000) |
| Interest paid on borrowings | | **(95,242)** | (79,038) |
| Net (repayments)/proceeds from premium financing | 28 | **(67,731)** | 72,072 |
| Debt transaction costs | | **(7,012)** | (6,406) |
| Sundry loans issued | | **(8,347)** | — |
| Interest paid on lease liabilities | | **(6,256)** | — |
| Repayment of lease liabilities (2018: Finance lease liabilities) | | **(9,819)** | (44) |
| Transactions with non-controlling interests | | **(4,304)** | (4,518) |
| Settlement of shareholder loan notes | | **(4,589)** | (4,867) |
| Purchase of own shares | | **(9,514)** | (116) |
| **Net cash outflow from financing activities** | | **(212,814)** | 208,339 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(88,610)** | 165,145 |
| Cash and cash equivalents at the beginning of the year | 19 | **504,956** | 332,916 |
| Effect of movements in exchange rates on cash held | | **(5,443)** | 6,895 |
| **Cash and cash equivalents at the end of the year** | 19 | **410,903** | 504,956 |

Cash and cash equivalents includes restricted cash (see note 19 for details).

The notes on pages 63 to 164 form an integral part of these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 General information

The Ardonagh Group Limited (the Company) is a private company limited by shares with registered number 117710. It is incorporated and registered in Jersey. The address of its registered office is 3rd Floor, 44 Esplanade, St Helier, Jersey, JE4 9WG. The principal business activities of the Company and its subsidiaries are described in the Directors' Report.

### 2 Basis of preparation

The consolidated financial statements comprise the Company and its subsidiaries (the Group) and have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU-adopted IFRS) and the Companies (Jersey) Law 1991 applicable to companies reporting under IFRS.

The consolidated financial statements are presented in GBP sterling (£).

Amounts shown are rounded to the nearest thousand, unless stated otherwise.

The consolidated financial statements have been prepared under the historical cost convention, as modified to use a different measurement basis where necessary to comply with IFRS.

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.

**Going concern**

The financial statements of the Group set out on pages 56 to 62 have been prepared on a going concern basis. At 31 December 2019, the Group had net assets of £87.1m (31 December 2018 restated: £101.6m) and net current assets of £25.5m (31 December 2018 restated: £111.4m). The Group reported an operating profit of £3.4m for the year ended 31 December 2019 (31 December 2018: operating loss £51.2m), net cash inflows from operating activities of £102.1m (31 December 2018: £71.4m) and cash outflows of £88.6m (31 December 2018: £165.1m inflows). Operating cash conversion of 90% was reported (2018 80%).

The Directors consider the going concern basis to be appropriate following their assessment of the Group'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 Group (see Strategic Report: Liquidity and Capital Resources on page 17) and its base case and stressed cash flow forecasts over the calendar years 2020 and 2021.
- The principal risks facing the Group, including the potential financial and operational impacts of Covid-19, and its systems of risk management and internal control.
- Improved operating cashflow during 2019.

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

- The Group continues to benefit from the Revolving Credit Facility of £120m. With effect from 1 December 2019, the contractual limitation on the amount that may be utilized of the Group's RCF was removed. As at 31 December 2019, the RCF facility capacity was £120m and undrawn. On 18 March 2020 the Group's RCF facility was extended to £170m, of which £70m was drawn. Permissible RCF drawings are limited by the Group's credit facility basket.
- Following the commencement of the main settlement of the ETV liabilities during the third quarter of 2019, the Group completes the majority of the settlement by the end of 2020.
- Client retention and renewal rates are expected to be robust, despite the likely economic downturn.

Key stress scenarios that the Directors have considered include cumulative stresses to the base plan of a net reduction in cashflow of over £100m in 2020 and further reductions in 2021. This results from:

- A sustained 20% shortfall in base case projected income in 2020 and 15% in 2021.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 Basis of preparation (Cont.)

**Going concern** (Cont.)

- A 10% deterioration in base case cash conversion rates over and above the fall in income.
- A 15% deterioration in the quantum and acceleration of the settlement of the ETV liabilities compared to the base case.
- Mitigating actions within management control including delayed capital expenditure, a reduction in discretionary spend and some reduction in employee headcount and remuneration.

Our stress testing further indicates that revenues would need to decline by up to 30% compared to base case in each of the next 7 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 consider these stress conditions to be a remote scenario.

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

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

- Business Continuity Plans are in place across each of the Group's operating segments, with measures to manage employee absences, access to the wider network of over 80 offices, the efficiency and stability of the Group'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 commonsense 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. Ardonagh is highly diversified and not materially exposed to a single carrier, customer or market sector.
- Although Covid-19 developments are fluid, the stress testing demonstrates the Group's financial resilience and operating flexibility.

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

### 3 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year with the exception of new standards effective from 1 January 2019 as described in 'Application of new and revised International Financial Reporting Standards' (section (s) below). Additional accounting policies have been incorporated in 2019 as necessary as a result of transactions and acquisitions during the year.

#### (a) Basis of consolidation

The Group consolidates those investees that it is deemed to control, referred to as subsidiaries. The Group has control over an investee if all three of the following are met: (i) it has power over the investee, (ii) it is exposed to, or has rights to, variable returns from its involvement with the investee, and (iii) it has ability to use its power over the investee to affect the amount of its own returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group. The assets, liabilities, profits and losses of the subsidiary are added line by line to those of the Group.

Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3 Accounting policies** (Cont.)

**(a) Basis of consolidation** (Cont.)

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**Accounting for business combinations**

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, and liabilities and contingent liabilities assumed, in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Acquisition-related costs, except costs to issue debt or equity securities, are expensed as incurred.

If a business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Subsequent changes to the fair value of contingent consideration that is deemed to be an asset or liability are recognised in accordance with IFRS 9 'Financial Instruments' in profit or loss, unless the changes occur during the 'measurement period' of up to one year following the acquisition date and are the result of additional information that the acquirer has obtained after the acquisition date about facts and circumstances that existed at the acquisition date. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

**Disposal of subsidiaries**

Where the Group disposes of its controlling interest in a subsidiary, the assets and liabilities are derecognised along with any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

**Goodwill**

Goodwill is initially measured as the excess of the fair value of the consideration transferred and of the non-controlling interest over the fair value of the net of the identifiable assets acquired and liabilities assumed. If goodwill is negative (i.e. a shortfall instead of an excess), it is recognised in profit or loss.

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash generating units for the purposes of impairment testing.

**Transactions with non-controlling interests**

Transactions with non-controlling interests that do not result in the loss of control are accounted for as equity transactions.

**(b) Investments in associates and joint ventures**

**Associates**

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements as a single line in each of the statement of financial position and the statement of profit or loss using the equity method of accounting.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(b) Investments in associates and joint ventures** (Cont.)

**Associates** (Cont.)

The consolidated statement of financial position therefore includes investment in associates measured at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of the investment, but the carrying amount cannot fall below zero. The consolidated income statement includes a share of the profit or loss of the associate.

**Joint arrangements**

The Group applies IFRS 11 'Joint Arrangements' to all joint arrangements. Investments in joint arrangements are, as required by IFRS 11, classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and has determined them to be joint ventures. Joint ventures are accounted for using the equity method, in a similar manner to associates.

**(c) Intangible assets**

**Customer relationships**

Customer relationship intangible assets are recognised on a business combination because the acquirer is able to benefit from selling future new business through existing relationships. Their fair value is calculated as the sum of the present value of projected cash flows in excess of returns on contributory assets over the life of the relationship with the customers. These assets are amortised on a straight-line basis over their estimated useful lives of between 6 and 17 years, which is estimated by reference to the history of the relationships and levels of attrition.

**Distribution network**

Distribution network intangible assets are recognised on a business combination because the acquirer is able to benefit from already established distribution channels. Their fair value is calculated as the sum of the present value of projected future cash flows generated by existing distribution channels. These assets are amortised on a straight-line basis over their estimated useful lives of 10 years, which is estimated by reference to the history of the relationships and levels of attrition.

**Brand**

Brand intangible assets are recognised on a business combination because they are separable or arise from contractual or other legal rights. Their fair value is calculated as the sum of the present value of projected royalty payments that would be paid to licence the right to use the brand. These assets are amortised on a straight-line basis over their estimated useful lives of between 2 and 15 years, which considers the Group's track record of retaining brands and experience of the insurance broking market.

**Computer software**

Computer software is recognised when purchased separately or is recognised on a business combination. The fair value is calculated by reference to the net book value acquired or the depreciated replacement cost. These assets are amortised on a straight-line basis over their estimated useful lives of between 3 and 10 years.

**Internally-generated computer software and assets under construction**

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

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

- the technical feasibility of completing the asset so that it will be available for use or sale;
- the intention to complete the asset and to use or sell it;
- the ability to use or sell the asset;

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(c) Intangible assets** (Cont.)

**Internally-generated computer software and assets under construction** (Cont.)

- how the asset will generate future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and
- the ability to measure reliably the expenditure attributable to the asset during its development.

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

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

Internally-generated intangible assets are not amortised in the period subsequent to initial recognition but before they are ready for use. Amortisation commences when they are ready for use as intended by management. They are then reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Internally-generated intangible assets are amortised on a straight-line basis over their estimated useful lives of between 3 and 10 years.

**Intellectual property**

Intellectual property assets include a bespoke database and online platform. This asset is amortised on a straight-line basis over its estimated useful life of 4 years.

**Derecognition of intangible assets**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

**Impairment of assets**

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

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

**(d) Depreciation**

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

| | |
|---|---|
| Freehold buildings | - over 50 years (except integral features which are over 20 years) |
| Leasehold improvements | - over the remaining life of the lease |
| Furniture and equipment | - over 4 years |
| Computer equipment | - over 4 years |
| Fixtures and fittings | - over 4 years |
| Motor vehicles | - over 4 years |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(d) Depreciation** (Cont.)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Property, plant and equipment is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of property, plant and equipment, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

**(e) Leases**

The Group applied IFRS 16 from 1 January 2019 using the modified retrospective approach without restating prior years (see note 3(r) for the impact of adopting IFRS 16).

The Group accounts for lease and non-lease components in a contract as a single lease component.

**Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and are adjusted for certain remeasurements of the lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date of the lease less any lease incentives received, and the estimated costs of restoring the underlying asset to the condition required by the terms of the lease. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. Right-of-use assets are subject to impairment.

**Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable, which is generally the case. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

**Leases of low value assets**

The Group elects on a lease-by-lease basis whether to apply the lease of low-value assets exemption to non-property leases that are considered to be of low value (i.e. below £5,000). Lease payments on leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

**Subleases**

The Group does not undertake arrangements as a lessor other than as a sublessor. When the Group is a sublessor, it classifies leases as either operating or finance leases using similar principles to those in IAS 17 (see below), by reference to the right-of-use asset arising from the head lease, not by reference to the underlying asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(e) Leases** (Cont.)

**Accounting for leases prior to 1 January 2019**

Prior to 1 January 2019, the Group applied IAS 17.

A lease agreement that transferred substantially all the risks and rewards of ownership to the Group was a finance lease and resulted in the recognition of a lease asset within property, plant and equipment, which is subsequently depreciated over the shorter of the useful life of the asset and the lease term. The related lease obligation was included in liabilities, on which interest arose and charged to the income statement over the period of the lease term.

A lease that did not transfer substantially all the risks and rewards of ownership to the Group was an operating lease. Payments made under operating leases (net of any incentives received from the lessor) were charged to the income statement on a straight-line basis over the period of the lease.

**(f) Financial instruments**

**Recognition and initial measurement**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and they are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs not directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**Derecognition**

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

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

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

**Offsetting**

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

**Classification and subsequent measurement of financial assets**

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(f) Financial instruments** (Cont.)

**Classification and subsequent measurement of financial assets** (Cont.)

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on their classification.

**Financial assets classified as amortised cost**

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The Group's financial assets measured at amortised cost include trade and other receivables (except for certain other receivables measured at FVTPL, see below), cash and cash equivalents and other financial assets.

The Group's trade receivables do not generally have a significant financing component, so their transaction (invoiced) price is considered to be their amortised cost.

Insurance brokers act as agents in placing the insurable risks of their clients with insurers and, as such, are not usually liable as principal for amounts arising from such transactions. In recognition of this relationship, debtors from insurance broking transactions are not, in general, included as an asset of the Group. Other than the receivable for fees and commissions earned on a transaction, recognition of the insurance transaction does not, in general, occur until the Group receives cash in respect of premiums or claims, at which time a corresponding liability is established in favour of the insurer or the client. An exception exists in relation to funded premium and claim items whereby the Group has a legal obligation to make good any shortfall to client monies in the event of default.

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

**Financial assets classified as FVTOCI**

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3 Accounting policies** (Cont.)

**(f) Financial instruments** (Cont.)

**Financial assets classified as FVTPL**

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

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

Financial assets at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss to the extent they are not part of a designated hedging relationship. Interest earned on assets mandatorily required to be measured at FVTPL is recognised using a contractual interest rate. Dividend income from equity instruments measured at FVTPL is recognised in profit or loss as part of investment income when the right to payment has been established (provided that it is probable that the economic benefits will flow to the Group and that the amount of income can be measured reliably). This is the ex-dividend date for listed equity securities, and usually the date when shareholders approve the dividend for unlisted equity securities.

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

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

**Foreign exchange gains and losses**

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

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

**Reclassifications**

Financial assets are not reclassified subsequent to their initial recognition. They would only be reclassified if the Group were to change its business model for managing its financial assets, in which case the affected financial assets would be reclassified in the period following that change.

**Impairment of financial assets**

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

The Group 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 Group'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 Group'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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(f) Financial instruments** (Cont.)

**Impairment of financial assets** (Cont.)

For all other financial instruments, the Group 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 Group measures the loss allowance for that financial instrument at an amount equal to 12 months ECL.

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

All cash and cash equivalents are assessed to have low credit risk at each reporting date as they are held with reputable banks and financial institution counterparties with, wherever possible, a minimum single A credit rating from both Moody's and S&P. The Group measures the loss allowance for such assets at an amount equal to 12 months ECL.

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

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

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

**Definition of default**

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a longer or shorter default criterion is more appropriate.

**Credit-impaired financial assets**

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(f) Financial instruments** (Cont.)

**Write-off policy**

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. A write-off constitutes a derecognition event. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

**Classification and subsequent measurement of financial liabilities**

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

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

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities.

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

The Group's financial liabilities include borrowings, trade and other payables and derivatives.

**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 measured at amortised cost using the effective interest rate method.

**Trade payables**

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

**Derivative financial instruments**

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

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

**Cash flow hedges**

The Group enters into cross-currency swaps and forward contracts to manage its exposure to foreign exchange rate risks. The Group designates these derivatives as cash flow hedges, being hedges of a particular risk associated with the cash flows of recognised liabilities and highly probable forecast transactions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(f) Financial instruments** (Cont.)

**Cash flow hedges** (Cont.)

At the inception of such hedging transactions the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of derivative instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in finance costs for the cross-currency swaps and in other operating costs for the forward contracts.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, included in the same line as that which the hedged item affects.

Furthermore, if the Group expects that some or all of the loss accumulated in other comprehensive income will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is reclassified to profit or loss when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

**Cross-currency swaps**

The Group's risk management policy is to hedge its foreign currency exposure to its US dollar denominated debt.

The Group separates the foreign currency basis spread from a cross currency swap and excludes it from the designation of that financial instrument as the hedging instrument.

The fair value changes in the basis spread are separately accounted for as a cost of hedging in other comprehensive income and recognised in the costs of hedging reserve within equity. Such costs of hedging are amortised (i.e. reclassified to profit or loss) over the life of the hedged debt (or when the hedge is de-designated). The treatment for the currency basis element is optional and the option is applied on a hedge by hedge basis.

The Group uses the hypothetical derivative method to determine the changes in fair value of the hedged item. The Group assesses hedge effectiveness by comparing the changes in fair value of a hypothetical derivative reflecting the terms of the foreign currency debt security issued due to movements in the foreign currency rate with the changes in fair value of the cross-currency swaps used to hedge the exposure.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(f) Financial instruments** (Cont.)

**Cross-currency swaps** (Cont.)

The Group determines the hedge ratio by comparing the notional of the derivatives with the principal of the debt securities issued. The Group has identified the following possible sources of ineffectiveness in these cash flow hedge relationships:

- the use of cross currency derivatives as a protection against currency risk creates an exposure to the derivative counterparty's credit risk which is not offset by the hedged item. This risk is minimised by entering into contracts with high credit quality counterparties;
- the use of different discounting curves for the hedged item and the hedging instrument, because for cross currency swaps the discounting curve used depends on collateralisation and the type of collateral used; and
- designation of off-market hedging instruments.

No other sources of ineffectiveness affected these hedge relationships. The Group has not designated any net positions as hedged items on cash flow hedges of foreign currency risk.

**Forward contracts**

The Group's risk management policy is to hedge 80%, 65% and 50% of its estimated foreign currency exposure in respect of forecast revenue over the following 12, 24 and 36 months respectively.

The Group's policy is for the critical terms of the forward contracts to align with the hedged item. The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and the Group's own credit risk on the fair value of the forward contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates;
- the use of different discounting curves for the hedged item and the hedging instrument, because for the currency forward contracts the discounting curve used depends on collateralisation and the type of collateral used; and
- changes in the timing of the hedged transactions.

For the forward contracts, the Group designates the entire hedging instrument (i.e. the currency forward inclusive of the forward element) applying the so-called "forward rate method" throughout the hedge designation. Given the size of the notional, tenure and currency pairs involved in the currency forwards, the forward points are not considered to be significant enough to warrant separation as costs of hedging and so are included in the measurement of the hedged item.

**Finance income and finance costs**

The Group's finance income and finance costs include:

- interest income
- interest expense
- unwind of discount on provisions
- unwind of discount on financial assets or liabilities, including on lease liabilities and lease receivables
- the net gain or loss reclassified from other comprehensive income to profit or loss in relation to hedging instruments

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Accounting policies (Cont.)

### (f) Financial instruments (Cont.)

**Finance income and finance costs** (Cont.)

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

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

### (g) Provisions for liabilities and charges

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

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

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

### (h) 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.

### (i) Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer (net of refunds) and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a service to a customer.

**Commission and fees**

Revenue includes commission and fees receivable by the Group. Commission and fees relate mainly to placement or underwriting of policies on behalf of insurers or policyholders and are recognised at the later of policy inception date and of when the policy placement has been completed and confirmed.

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

**Post-placement performance obligations**

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(i) Revenue** (Cont.)

**Variable consideration**

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

- *Trading deals – profit share arrangement and loss corridor arrangements:*

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

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

  Under loss corridor arrangements, the commission received by the Group is subject to a clawback if a set loss ratio exceeds an agreed threshold. When the threshold is exceeded, a payment calculated as a percentage of the loss (between 1% and 4% of the loss) is due to the insurer up to a maximum. Expected clawbacks under loss corridor arrangements are recognised in trade and other payables.

  Payment terms of the above arrangements vary across the Group and depend on the specific agreement with the insurer. Because of the time required for policies to earn out and for claims to mature, final settlement of profit share and loss corridor arrangements may take up to 2-3 years from the point at which the Group places a policy (i.e. satisfies its performance obligation).

- *Cancellation rights:*

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

- *Rolling contracts:*

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

**Other income**

Other income includes;

- Fair value gains and losses on financial assets at FVTPL that are recognised on a business combination in relation to the Group's right to variable consideration on rolling contracts with customers for which the performance obligation was satisfied prior to the acquisition.
- Rent receivable and service charges receivable in respect of sub-let properties.
- Profit on termination of leases after 1 January 2019.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Accounting policies (Cont.)

### (j) Contract costs

Contract costs give rise to assets recognised in accordance with IFRS 15 which consist of:

- Costs to fulfil – salary and other costs of customer-facing employees who undertake activities necessary to satisfy anticipated contracts with the customer. The Group estimates the proportion of costs that are eligible to be capitalised based on the time spent by customer-facing employees on relevant inception/renewal activities. Capitalised costs are released to profit or loss on inception or renewal of the contract with the customer, which normally takes place within one to three months of the reporting period.
- Costs to obtain – incremental fees paid to distributors (usually aggregator websites) for obtaining new business. These costs are amortised, on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates, over the average life of the relationship with the customer.

  The Group utilises the practical expedient to recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

Contract costs are presented within 'other assets' when recognised in the statement of financial position.

### (k) Operating segments

Under IFRS 8 'Operating Segments', the Group determines and presents operating segments based on the information that is provided to the Group Executive Committee, which is the Group's chief operating decision maker. The operating segments reflect the Group's operational structure. Segments are reviewed and revised as necessary following structural changes within the Group or acquisitions of new companies.

### (l) Employee benefits

**Pension costs**

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

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

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

**Long-Term Incentive Plans**

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Accounting policies (Cont.)

### (l) Employee benefits (Cont.)

**Long-Term Incentive Plans** (Cont.)

At the end of each reporting period the Group revises its estimate of the expected pay out, and it recognises the impact of the revision to the original estimate, if any, in the income statement with a corresponding adjustment to the related provision (during the performance period) or prepayment (during the clawback period) as relevant.

**Share-based payments**

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

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

### (m) Foreign currencies

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

**Foreign currency transactions and balances**

Foreign currency transactions are converted into the functional currency of the respective Group entity, using the exchange rates at the dates of the transactions.

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

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

Profits or losses arising from derivatives taken out to hedge foreign currency exposure are recognised in the income statement unless such contracts are designated as cash flow hedges, in which case they are accounted for as described above in (f) Cash flow hedges.

**Foreign operations**

On consolidation, the results and financial position of foreign subsidiaries and branches are translated into the presentation currency of the Group from their functional currencies, i.e. the currency of the primary economic environment in which the entity operates. Assets and liabilities of foreign subsidiaries and branches are translated into GBP at the exchange rate at the reporting date. Income and expenses are translated into GBP at average exchange rates. The impact of these currency translations is recorded in other comprehensive income and recognised in the foreign currency translation reserve in equity.

### (n) Taxation

**Current tax**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(n) Taxation** (Cont.)

**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.

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.

**(o) Dividend distribution**

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

**(p) Discontinued operations**

A disposal group qualifies as a discontinued operation if it is a component of an entity (which will have been a cash-generating unit or group of cash-generating units) that either has been disposed of, or it is classified as held for sale, and:

- it represents a separate major line of business or geographical area of operations; or
- it is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- it is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount in ‘total comprehensive profit or loss for the period attributable to discontinued operations’ in the income statement.

Additional disclosures are provided in note 11. All other notes to the financial statements include amounts for continuing operations, unless otherwise stated.

**(q) Held for sale**

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group’s other accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, intangible assets, property, plant and equipment and right-of-use assets are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

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

**IFRS 16 'Leases'**

The Group adopted IFRS 16 on 1 January 2019.

**Nature of the change**

IFRS 16 'Leases' sets out the principles for the recognition, measurement and presentation of leases, for both lessees and lessors. IFRS 16 superseded IAS 17 'Leases' and several related interpretations when it became effective on 1 January 2019. The date of initial application for the Group was 1 January 2019 and so IFRS 16 applies for accounting periods beginning on or after that date.

**Impact**

**The definition of a lease**

IFRS 16 distinguishes between leases and service contracts on the basis of whether there is control of the use of an identified asset. Control is considered to exist if there is:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to the direct the use of that asset.

The Group applies the practical expedient in IFRS 16 not to separate non-lease components from lease components, and instead accounts for each lease component and any associated non-lease components as a single lease component.

**Lessee accounting**

A right-of-use asset and lease liability are recognised in the balance sheet. The lease liability is measured at the present value of future lease payments, excluding variable lease payments that do not depend on an index or a rate. The right-of-use asset for a particular lease is usually similar in amount to the corresponding lease liability on inception of the lease, but their carrying amounts diverge through the life of the lease as the asset is depreciated on a straight-line basis whereas interest arises on the lease liability and so is higher in earlier years.

The Group elects on a lease-by-lease basis whether to recognise a right-of-use asset and a lease liability for leases of low-value assets. Where an election is made to not recognise a right-of-use asset and a lease liability for these leases, the lease payments are instead expensed on a straight-line basis over the lease term.

Depreciation of the right-of-use assets is presented within 'depreciation and amortisation charges' in profit or loss. Interest expense on the lease liabilities is presented within 'finance costs'. Lease expenses for leases of low-value assets are presented within 'other operating costs'. Variable lease payments are generally expensed as incurred and presented within 'other operating costs'.

Lease payments are classified as financing cash flows, distinguishing between the principal and interest portions of the lease liability, except in relation to lease payments of low-value assets and variable lease payments that are presented as operating cash flows.

The impact for lessees on IAS 17 lease classifications is as follows:

- **Finance leases:**

  Finance leases in place at 31 December 2018 were reclassified from property, plant and equipment to right-of-use assets and from obligations under finance leases to lease liabilities.

- **Operating leases:**

  A right-of-use asset and lease liability were brought on to the balance sheet (except for certain leases of low value assets). Depreciation and interest replace the IAS 17 rental charge (which was included in 'other operating costs'). Lease payments are classified as financing cash flows (except for certain leases of low value assets, and variable lease payments) instead of 'operating cash flows'.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Accounting policies (Cont.)

### (r) Application of new and revised International Financial Reporting Standards (IFRS) (Cont.)

**Lessee accounting** (Cont.)

Areas of management judgement relate to the accounting for lease extension and termination options (considered on a case by case basis), whether contracts with suppliers contain a lease, and the discount rate used to measure the lease liability.

**Lessor accounting**

The Group does not undertake arrangements as a lessor other than as a sublessor. Lessor accounting as required by IFRS 16 is substantively unchanged from that required by IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those in IAS 17. However, a sublessor classifies the sublease by reference to the right-of-use asset arising from the head lease rather than by reference to the underlying asset, such that subleases are more likely to be classified as finance leases. Sublessor arrangements are not material to the Group.

**Transition**

The Group adopted IFRS 16 by applying the modified retrospective approach, which requires the cumulative effect of initial application of IFRS 16 to be recognised as an adjustment to the opening balance of retained earnings on 1 January 2019, the date of initial application, without restating prior years.

The Group applied the following practical expedients on 1 January 2019, the date of initial application of IFRS 16:

- The right-of-use asset was recognised at an amount equal to the lease liability at the date of initial application, adjusted by the amount in the statement of financial position immediately before the date of initial application for any prepaid or accrued lease payments;
- A single discount rate was used for a portfolio of leases with reasonably similar characteristics, in particular for property leases in the same lease term grouping;
- The right-of-use asset corresponding to existing operating leases was, as an alternative to performing an impairment review, reduced by the amount of the related onerous lease provisions immediately before the date of initial application;
- Initial direct costs were excluded from the measurement of the right-of-use asset; and
- Hindsight was used, in particular in determining the lease term for arrangements with options to extend or terminate the lease.

The effect of adopting IFRS 16 as at 1 January 2019 was as follows:

| | £000 |
|---|---|
| **Assets** | |
| Right-of-use assets | **64,353** |
| Trade and other receivables | **(2,279)** |
| Property, plant and equipment | **(262)** |
| Deferred tax assets | **(21)** |
| | **61,791** |
| **Liabilities** | |
| Lease liabilities | **(71,145)** |
| Trade and other payables | **6,082** |
| Borrowings | **1** |
| Provisions | **3,372** |
| | **(61,690)** |
| **Adjustment to opening equity** | **101** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Accounting policies (Cont.)

### (r) Application of new and revised International Financial Reporting Standards (IFRS) (Cont.)

**Transition** (Cont.)

The transition impact reported above is different from the impact reported in the 31 March 2019 and 30 June 2019 financial statements, mainly as a result of excluding irrecoverable VAT from the revised lease payments (recoverable VAT had already been excluded) and adjusting for transition prepayments.

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application is 13.5%.

The lease liabilities at 1 January 2019 can be reconciled to the operating lease commitments as at 31 December 2018, as follows:

| | £000 |
|---|---|
| Operating lease commitments at 31 December 2018 | **75,412** |
| Effect of discounting future lease payments | **(19,076)** |
| | **56,336** |
| Differences in lease term1 | **8,819** |
| Differences in lease population2 | **15,030** |
| Differences in lease payments3 | **(7,768)** |
| Other differences | **(1,272)** |
| **Lease liabilities at 1 January 2019** | **71,145** |

1 - Mainly relates to termination options not reasonably certain to be exercised.

2 - Mainly relates to certain leases that, as of the date of initial application, were contractually agreed to be assigned to a third-party on 1 January 2019 (see note 15).

3 - Mainly relates to service charges and irrecoverable VAT being excluded from the measurement of the lease liability.

**Other standards, amendments to standards and interpretations**

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 Group's financial statements.

The Group has early adopted the following amendments to standards, the effect of which was not material:

- Amendments to IAS 1 and IAS 8 'Definition of Material'; and
- Amendments to IFRS 3 'Definition of a Business'.

There are no standards, amendments to standards or interpretations which are not yet effective and that are expected to materially impact the Group's financial statements.

### 4 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.

**Critical judgements in applying accounting policies**

**Disposal of an associate**

The Group disposed of its entire shareholding in Bravo Investment Holdings Limited (Bravo) in 2018 to Nevada Investment Holdings 2 Limited, which was then a related party of the Ardonagh Group due to common

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4 Critical accounting judgements and key sources of estimation uncertainty (Cont.)

**Disposal of an associate** (Cont.)

shareholders (see note 18), although Nevada 2 subsequently sold its shares in Bravo and its rights and obligations under the sale and purchase agreement to Nevada 4 Midco 1 Limited. The Group applied significant judgement in determining whether the disposal constituted a sale given that the Group retained some rights and has continuing involvement in relation to Bravo, in particular a right to appoint one non-executive director to the Board of Directors of Bravo, a call option over the shares of Bravo, and involvement in that the Group provides certain services to Bravo. The Group determined that the transaction constituted a sale due to the following:

- The Group does not retain any voting or other economic rights, so it does not have any rights over the profit or net assets of Bravo;
- The call option is exercisable at the discretion of the Group at or above fair value; and
- The sale price and the price of other services provided by the Group to Bravo were determined at arm's length.

**Key sources of estimation uncertainty**

**Leases – determination of the discount rate**

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

The Group has determined the discount rate based on the available secondary bond market yield to maturity pricing and the discount rate used for each lease depends on the lease amount and term.

The weighted average discount rate used to calculate the lease liabilities at the date of transition to IFRS 16 was 13.5% (see note 3). An increase (decrease) in the weighted average discount rate by 1% would have reduced/ increased the lease liability, as at the reporting date, by about £1m.

**Deferred tax assets**

Significant estimation is required in determining the asset recognised in respect of deferred tax. A deferred tax asset is recognised for temporary timing differences, but management's best estimate is used to determine the extent to which it is probable that taxable profits will be available in the future against which the temporary differences can be utilised and to determine the amount of this taxable profit. Deferred tax assets are measured at the tax rates and laws that have been enacted or substantively enacted by the end of the reporting year.

The deferred tax asset as at 31 December 2019 is £80.5m (31 December 2018 restated: £60.1m).

**Revenue recognition – variable consideration**

The Group is a party to trading deals, such as profit sharing and loss corridor arrangements. These arrangements adjust the consideration that the Group is entitled to for satisfying its performance obligations, and the amount and timing of revenue subject to these arrangements is inherently uncertain.

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4 Critical accounting judgements and key sources of estimation uncertainty (Cont.)

**Revenue recognition – variable consideration** (Cont.)

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

As at 31 December 2019, a loss corridor liability of £5.9m is included within trade and other payables and a variable profit commission of £5.7m is included within contract assets.

Fair value gains and losses on financial assets at FVTPL are recognised on a business combination in relation to the Group's right to variable consideration on rolling contracts with customers for which the performance obligation was satisfied prior to the acquisition. The fair value of the Swinton rolling contract (a closed book of business) is a level 3 valuation, in accordance with IFRS 13 'Fair Value Measurement', the key assumptions of which are (a) the product lifetime restrictions of 12, 24 and 36 months for the Home Emergency Cover, Swinton Breakdown Insurance, and Personal Accident products, (b) the discount rate, which is based on the Ardonagh weighted average cost of capital of 15%, and (c) the lapse rate curves, which are estimated based on historical experience. A one year increase in the product lifetime restrictions across all three products would give rise to an £8.1m increase in other income in 2019. A 1% increase in the discount rate would give rise to a £0.3m decrease in other income in 2019. The financial asset corresponding to the Swinton rolling contract is £32.4m (2018: 36.6m).

**Enhanced Transfer Values (ETV) provision**

Certain subsidiaries within the Group have obligations to make redress payments in respect of historical pension transfer advice. The programme of redress commenced during the third quarter of 2019 and, based on experience to date, management's estimated total redress obligation has been updated to £63.5m (£51m at 31 December 2018, adjusted to £59m at 30 September 2019, of which £15.9m was paid by 31 December 2019).

The value of the provision is sensitive to various assumptions and in particular those made for the percentage of the overall population of cases judged as requiring redress and average redress costs. The redress programme remains at a relatively early stage and accordingly there is uncertainty regarding the ultimate cost, which may differ materially from management's present estimate.

The provision will be informed and updated during the course of the redress programme based upon the experience of actual redress payments. See note 31 for further information.

**Impairment of assets**

The Group tests annually whether goodwill and other assets that have indefinite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may exceed its recoverable amount. The last annual impairment test was performed as at 30 September 2019.

An impairment test of an asset or cash-generating unit (or group of cash-generating units) is performed by comparing its 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 value in use 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.

Forecast cash flows were determined by considering historic business performance, by overlaying it with assumptions to reflect areas where growth or income improvement was expected, and by taking into account the expected results of cost management programmes to which the Group was committed. These forecasts were extrapolated to subsequent years using a steady growth rate being the CPI inflation rate, and a terminal value was calculated using the perpetual growth model. The discount rate of 9.3% that was applied to the forecasts was a market participant weighted average cost of capital calculated by reference to the Capital Asset Pricing Model.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4 Critical accounting judgements and key sources of estimation uncertainty (Cont.)

**Impairment of assets** (Cont.)

The fair value of the Group was calculated based on multiples of forecast 2020 Adjusted EBITDA and on information provided by external advisors, where that information is based on recent transactions in the insurance broking industry. The fair value of an operating segment was estimated by apportioning the fair value of the Group between the operating segments based on the value in use of each operating segment. The estimated costs of disposal are assumed, based on market experience, to be 1.5% of the fair value of the operating segment.

Further details of the annual impairment test, and of the assumptions made, are set out in note 13.

### 5 Segmental analysis

Under IFRS 8 'Operating Segments', the Group determines and presents operating segments based on the information that is provided to the Group Executive Committee, which is the Group's chief operating decision maker. Segments are reviewed and revised as necessary following structural changes within the Group or acquisitions of new companies.

The Group Executive Committee assesses the performance of the segments based on various income statement measures. The Group Executive Committee assesses the financial position of the Group on a consolidated Group basis and therefore does not regularly receive measures of total assets or total liabilities on an operating segment basis. Accordingly, no financial position measures are reported within the Group's operating segment disclosures.

The results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Of the Total Income disclosed in the consolidated income statement, £100m is attributable to sales made outside the UK.

Commissions and fees represent the Group's revenue from contracts with customers, which is recognised in accordance with IFRS 15. The Group's operating segments reflect its disaggregation of revenue.

Descriptions of the Group's segments can be found in Section 1 – Background and Structure.

**Part (a)**

| Year ended 31 December 2019 | Ardonagh Retail | Ardonagh Advisory | Ardonagh Specialty | Corporate | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Commission and fees | 274,692 | 222,856 | 139,814 | 3,300 | 640,662 |
| Other income | 19,217 | (40) | 172 | 2,819 | 22,168 |
| Investment income | 30 | 10 | 1,617 | 1,000 | 2,657 |
| Salaries and associated costs | (97,558) | (110,237) | (87,211) | (26,550) | (321,556) |
| Other operating costs | (106,857) | (57,074) | (37,421) | (30,303) | (231,655) |
| Impairment of financial assets | (10,593) | (557) | (3,315) | — | (14,465) |
| Depreciation, amortisation and impairment of non-financial assets | (47,479) | (23,602) | (19,592) | (5,040) | (95,713) |
| Fair value loss on derivatives | — | — | — | (604) | (604) |
| Share of profit from joint venture | 1,680 | — | — | — | 1,680 |
| Share of profit from associate | — | — | 217 | — | 217 |
| **Operating profit/(loss)** | 33,132 | 31,356 | (5,719) | (55,378) | 3,391 |
| Adjustment to gain/gain on disposal of associate | — | — | — | 1,750 | 1,750 |
| Gain on disposal of business | — | — | 2,244 | — | 2,244 |
| Finance costs | (4,813) | (2,050) | (1,717) | (105,026) | (113,606) |
| Finance income | 303 | 39 | 900 | 761 | 2,003 |
| **Profit/(loss) before tax** | 28,622 | 29,345 | (4,292) | (157,893) | (104,218) |
| Tax (charge)/credit | (4,573) | 1,766 | (6,131) | 39,154 | 30,216 |
| **Profit/(loss) for the year** | 24,049 | 31,111 | (10,423) | (118,739) | (74,002) |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5 Segmental analysis (Cont.)

Ardonagh Retail is made up of the Retail, Schemes & Programmes and Paymentshield operating segments (see part (b) of this note). Ardonagh Advisory consists of the Insurance Broking operating segment only. Ardonagh Specialty is made up of the Specialty & International and MGA operating segments (see part (c) of this note).

| Year ended 31 December 2018 Restated | Ardonagh Retail | Ardonagh Advisory | Ardonagh Wholesale | Corporate | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Commission and fees | 169,702 | 202,227 | 145,292 | 4,680 | 521,901 |
| Other income | 2,259 | — | — | 313 | 2,572 |
| Investment income | 24 | — | 1,420 | 662 | 2,106 |
| Salaries and associated costs | (64,066) | (118,493) | (105,774) | (3,039) | (291,372) |
| Other operating costs | (68,025) | (51,964) | (48,508) | (42,714) | (211,211) |
| Impairment of financial assets | (2,920) | (556) | (1,585) | — | (5,061) |
| Depreciation, amortisation and impairment of non-financial assets | (36,104) | (11,905) | (18,844) | (4,431) | (71,284) |
| Adjustment to goodwill in respect of prior years | (2,633) | (462) | — | — | (3,095) |
| Fair value gain on derivatives | — | — | — | 2,485 | 2,485 |
| Share of profit from joint venture | 1,777 | — | — | — | 1,777 |
| Operating profit/(loss) | 14 | 18,847 | (27,999) | (42,044) | (51,182) |
| Gain on disposal of associate | — | — | — | 7,482 | 7,482 |
| Gain on disposal of business | 19 | — | — | — | 19 |
| Finance costs | (13) | (2) | (328) | (94,312) | (94,655) |
| Finance income | 12 | — | 262 | 259 | 533 |
| Profit/(loss) before tax | 32 | 18,845 | (28,065) | (128,615) | (137,803) |
| Tax credit | 3,283 | 2,684 | 8,658 | 20,484 | 35,109 |
| Profit/(loss) for the year | 3,315 | 21,529 | (19,407) | (108,131) | (102,694) |

Ardonagh Retail is made up of the Retail, Schemes & Programmes and Paymentshield operating segments (see part (b) of this note). Ardonagh Advisory consists of the Insurance Broking operating segment only. Ardonagh Specialty is made up of the Specialty & International and MGA operating segments (see part (c) of this note).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5 Segmental analysis (Cont.)

### Part (b) – Ardonagh Retail

| Year ended 31 December 2019 | Retail | Schemes & programmes | Payment-shield | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Commission and fees | **194,277** | **37,292** | **43,123** | **274,692** |
| Other income | **18,778** | **439** | **—** | **19,218** |
| Investment income | **30** | **—** | **—** | **30** |
| Salaries and associated costs | **(71,713)** | **(16,694)** | **(9,151)** | **(97,558)** |
| Other operating costs | **(83,356)** | **(16,479)** | **(7,022)** | **(106,856)** |
| Impairment of financial assets | **(10,512)** | **(29)** | **(52)** | **(10,593)** |
| Depreciation, amortisation and impairment of non-financial assets | **(23,956)** | **(16,026)** | **(7,497)** | **(47,480)** |
| Share of profit from joint venture | **1,680** | **—** | **—** | **1,680** |
| **Operating profit/(loss)** | **25,228** | **(11,497)** | **19,401** | **33,133** |
| Finance costs | **(4,213)** | **(363)** | **(237)** | **(4,814)** |
| Finance income | **282** | **21** | **—** | **303** |
| Profit/(loss) before tax | **21,297** | **(11,839)** | **19,164** | **28,622** |
| Tax charge | **(1,550)** | **(205)** | **(2,818)** | **(4,573)** |
| **Profit/(loss) for the year** | **19,747** | **(12,044)** | **16,346** | **24,049** |

| Year ended 31 December 2018 Restated | Retail | Schemes & programmes | Payment-shield | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Commission and fees | 76,487 | 51,442 | 41,773 | 169,702 |
| Other income | 2,077 | 182 | — | 2,259 |
| Investment income | 24 | — | — | 24 |
| Salaries and associated costs | (27,115) | (26,220) | (10,731) | (64,066) |
| Other operating costs | (32,073) | (30,857) | (5,095) | (68,025) |
| Impairment of financial assets | (2,765) | (97) | (58) | (2,920) |
| Depreciation, amortisation and impairment of non-financial assets | (10,660) | (17,891) | (7,553) | (36,104) |
| Adjustment to goodwill in respect of prior years | — | (2,633) | — | (2,633) |
| Share of profit from joint venture | 1,777 | — | — | 1,777 |
| Operating profit/(loss) | 7,752 | (26,074) | 18,336 | 14 |
| Gain on disposal of business | — | 19 | — | 19 |
| Finance costs | — | (10) | (3) | (13) |
| Finance income | 11 | 1 | — | 12 |
| Profit/(loss) before tax | 7,763 | (26,064) | 18,333 | 32 |
| Tax credit/(charge) | 377 | 5,527 | (2,621) | 3,283 |
| Profit/(loss) for the year | 8,140 | (20,537) | 15,712 | 3,315 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5 Segmental analysis (Cont.)

### Part (c) – Ardonagh Specialty

| Year ended 31 December 2019 | Specialty & International | MGA | Total |
|---|---|---|---|
| | £000 | £000 | £000 |
| Commission and fees | **103,899** | **35,915** | **139,814** |
| Other income | **—** | **172** | **172** |
| Investment income | **1,616** | **1** | **1,617** |
| Salaries and associated costs | **(67,666)** | **(19,545)** | **(87,211)** |
| Other operating costs | **(22,381)** | **(15,040)** | **(37,421)** |
| Impairment of financial assets | **(2,415)** | **(900)** | **(3,315)** |
| Depreciation, amortisation and impairment of non-financial assets | **(10,067)** | **(9,525)** | **(19,592)** |
| Share of profit from associate | **217** | **—** | **217** |
| **Operating profit/(loss)** | **3,203** | **(8,922)** | **(5,719)** |
| Gain on disposal of business | **—** | **2,244** | **2,244** |
| Finance costs | **(1,209)** | **(508)** | **(1,717)** |
| Finance income | **792** | **108** | **900** |
| **Profit/(loss) before tax** | **2,786** | **(7,078)** | **(4,292)** |
| Tax (charge)/credit | **(6,358)** | **227** | **(6,131)** |
| **Loss for the year** | **(3,572)** | **(6,851)** | **(10,423)** |

| Year ended 31 December 2018 | Specialty & International | MGA | Total |
|---|---|---|---|
| | £000 | £000 | £000 |
| Commission and fees | 93,483 | 51,809 | 145,292 |
| Investment income | 1,420 | — | 1,420 |
| Salaries and associated costs | (61,075) | (44,699) | (105,774) |
| Other operating costs | (29,824) | (18,684) | (48,508) |
| Impairment of financial assets | (782) | (803) | (1,585) |
| Depreciation, amortisation and impairment of non-financial assets | (7,219) | (11,625) | (18,844) |
| Operating loss | (3,997) | (24,002) | (27,999) |
| Finance costs | (327) | (1) | (328) |
| Finance income | 262 | — | 262 |
| Loss before tax | (4,062) | (24,003) | (28,065) |
| Tax credit | 3,930 | 4,728 | 8,658 |
| Loss for the year | (132) | (19,275) | (19,407) |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6 Profit or loss items

The following items have been charged in arriving at operating profit/(loss):

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | £000 | £000 |
| Amortisation of intangible fixed assets | | |
| Software costs | **22,607** | 15,643 |
| Other intangible assets | **52,171** | 47,878 |
| Depreciation on property, plant and equipment | **9,937** | 7,763 |
| Depreciation of right-of-use assets | **10,134** | — |
| Impairment of right-of-use assets | **864** | — |
| **Depreciation and amortisation charges** | **95,713** | 71,284 |

### 7 Investment income

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | £000 | £000 |
| Interest income—fiduciary funds | **2,657** | 2,106 |
| | **2,657** | 2,106 |

The Group's investment income arises from its holdings of cash and investments relating to fiduciary funds.

Equivalent average cash and investment balances during the year amounted to £298.5m (2018: £279.0m) which were denominated principally in sterling. The average return for 2019 was 0.07% (2018: 0.06%).

### 8 Finance income and finance costs

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | £000 | £000 |
| **Financial assets measured at amortised cost** | | |
| Interest income: own funds | **1,778** | 515 |
| Interest income: discount unwind | **154** | 2 |
| Interest income: other | **71** | 16 |
| **Financial liabilities measured at amortised cost** | | |
| Unwinding of transaction costs and discount on financial liabilities | **(8,848)** | (9,119) |
| Interest expense: bank and other borrowings* | **(78,770)** | (106,947) |
| Interest expense: commitment fee | **(1,625)** | (1,285) |
| Interest expense: shareholders' loans | **(166)** | (326) |
| Interest on premium financing liabilities | **(2,786)** | — |
| **Other finance income/(costs)** | | |
| Amounts reclassified from the cash flow hedging reserve for cross currency swaps | **(14,970)** | 23,495 |
| Amortisation of costs of hedging | **(144)** | (179) |
| Interest on deferred consideration | **—** | (9) |
| Effective interest on lease liabilities (2018: finance leases) | **(6,258)** | (3) |
| Overdue tax | **—** | (28) |
| Unwinding of discount on provisions | **(39)** | (254) |
| **Net finance costs** | **(111,603)** | (94,122) |
| **Analysed as:** | | |
| Finance income | **2,003** | 533 |
| Finance costs | **(113,606)** | (94,655) |
| **Net finance costs** | **(111,603)** | (94,122) |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8 Finance income and finance costs (Cont.)

* The £78.8m (2018: £106.9m) interest expense on bank and other borrowings includes foreign currency translation differences arising on the debt and, when it is considered together with the £15.0m (2018: £(23.5)m) amount reclassified from the cash flow hedging reserve for cross currency swaps as a result of applying hedge accounting, the hedged interest expense on bank and other borrowings is determined to be £93.8m (2018: £83.4m).

During the year, the coupon interest expense on the Group's existing debt of circa £1,125.9m totalled £92.5m (2018: £81.7m). A further £8.7m (2018: £6.0m) of interest expense was recognised during the year relating to the unwind of the discount on these instruments as part of accounting for them at amortised cost using the effective interest rate.

### 9 Employee information

**Salaries and associated expenses**

| | 31 December 2019 £000 | 31 December 2018 £000 |
|---|---|---|
| Wages and salaries | **274,732** | 253,487 |
| Share-based payment costs | **3,252** | — |
| Social security costs | **30,217** | 28,287 |
| Other pension costs | **13,355** | 9,598 |
| | **321,556** | 291,372 |

**Analysis of employees**

| Average monthly number of Group employees during the year | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Administration | **2,610** | 2,709 |
| Sales | **3,282** | 2,812 |
| Management | **331** | 397 |
| | **6,223** | 5,918 |

**Key management compensation**

| Key management personnel are defined as senior management and the Board. Their compensation during the year was as follows: | 31 December 2019 £000 | 31 December 2018 £000 |
|---|---|---|
| Fees, salaries and other short-term benefits | **7,573** | 11,065 |
| Post-employment benefits | **16** | 110 |
| | **7,589** | 11,175 |

**Directors' remuneration**

| | 31 December 2019 £000 | 31 December 2018 £000 |
|---|---|---|
| Aggregate emoluments | **3,782** | 6,795 |
| Company contributions to money purchase pension scheme | **—** | 92 |
| | **3,782** | 6,887 |

At 31 December 2019 a payment of £0.5m was receivable by a former director for loss of office in the prior period.

The aggregate emoluments of the highest paid Director were £2.5m (2018: £5.2m) and company pension contributions of £Nil (2018: £0.1m) were made to a money purchase pension scheme on their behalf.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 9 Employee information (Cont.)

**Directors' remuneration** (Cont.)

Retirement benefits are accruing in money purchase pension schemes for no Directors (2018: four).

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

**Long-term incentives**

See note 3 for the accounting policy for long-term incentive schemes and see note 31 for details of the provision recognised in respect of these schemes.

### 10 Auditor's remuneration

During the year, the Group obtained the following services from the Company's auditor and its associates. The amounts in the table are all exclusive of irrecoverable VAT:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | £000 | £000 |
| Fees payable for the audit of the parent company and of the consolidated financial statements | **350** | 73 |
| Fees payable for other services | | |
| Audit of subsidiaries pursuant to legislation | **1,407** | 1,743 |
| Audit related assurance services | **420** | 360 |
| Tax compliance services | **—** | 25 |
| Services relating to corporate finance transactions* | **905** | 465 |
| All other services | **750** | 1,552 |
| | **3,832** | 4,218 |

* The auditor provided £0.9m (2018: £0) of other services during the year relating to future potential M&A transactions.

### 11 Disposals and assets held for sale

**Disposals**

On 1 November 2018, the Group announced the sale of its Commercial MGA businesses with an effective date of 1 January 2019. £31.5m was received from the purchaser of the businesses on 2 January 2019 of which £30.0m represented the initial consideration for the sale.

On 16 October 2018, the Group announced the sale of the URIS Group's (previously Direct Group's) claims business with immediate effect. The fair value of the consideration for the sale was £26.5m, comprising £25.5m of cash and £1m being the fair value of contingent consideration.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11 Disposals and assets held for sale (Cont.)

**Disposals** (Cont.)

Details of assets and liabilities disposed of and of the consideration received are set out in the table below:

| | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|
| | £000 | £000 |
| Non-current assets | | |
| Intangible assets | **—** | 20,340 |
| Property, plant and equipment | **60** | 635 |
| | **60** | 20,975 |
| Current assets | | |
| Trade and other receivables | **—** | 14,740 |
| Cash and cash equivalents | **—** | 6,997 |
| Assets held for sale | **26,754** | — |
| | **26,754** | 21,737 |
| Current liabilities | | |
| Trade and other payables | **—** | (17,754) |
| Provisions | **—** | (133) |
| Liabilities held for sale | **(1,976)** | — |
| | **(1,976)** | (17,887) |
| Non-current liabilities | | |
| Deferred tax liabilities | **—** | (1,643) |
| **Total net assets** | **24,838** | 23,182 |
| **Satisfied by:** | | |
| Proceeds—initial and deferred consideration | **31,000** | 25,500 |
| Contingent consideration receivable | **—** | 952 |
| Proceeds—extra consideration | **367** | — |
| Costs to sell | **(4,285)** | (3,251) |
| | **27,082** | 23,201 |
| Gain on disposal | **(2,244)** | (19) |
| **Total net assets** | **24,838** | 23,182 |

| Cash and cash equivalents disposed of | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|
| | £000 | £000 |
| Own funds | **—** | 1,716 |
| Fiduciary funds | **—** | 5,281 |
| | **—** | 6,997 |

**Assets held for sale and disposal groups**

As at 31 December 2019, the Group classified several freehold and leasehold properties, which form part of the Retail segment, as held for sale. The Group also classified its subsidiary Solis Re Agency Inc, which forms part of the MGA segment, as held for sale, given its intention to dispose of its controlling interest in (albeit retain significant influence over) that subsidiary in 2020. The figures shown in the table below reflect the full carrying amount of the assets and liabilities to be derecognised on disposal, but do not reflect any interest that is expected to be retained as an associate in relation to Solis Re Agency Inc. Amounts disclosed as held for sale as at 31 December 2018 relate to the sale of the Commercial MGA businesses (see above).

The Group recognised no impairment loss of to reduce the carrying amount of the assets held for sale to its fair value less costs to sell.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11 Disposals and assets held for sale (Cont.)

**Assets held for sale and disposal groups** (Cont.)

At 31 December 2019, the disposal group comprised of the following assets and liabilities:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | £000 | £000 |
| Goodwill and intangible assets | **—** | 26,416 |
| Property, plant and equipment | **2,138** | 14 |
| Other assets | **—** | 323 |
| Trade and other receivables | **798** | — |
| Cash and bank balances—fiduciary | **799** | — |
| Total assets classified as held for sale | **3,735** | 26,753 |
| Trade and other payables | **(1,754)** | — |
| Deferred tax liabilities | **—** | (1,821) |
| Provisions for liabilities and charges | **—** | (155) |
| Total liabilities classified as held for sale | **(1,754)** | (1,976) |
| Net assets classified as held for sale | **1,981** | 24,777 |

### 12 Income and deferred tax

| | 31 December 2019 | Restated 31 December 2018 |
|---|---|---|
| | £000 | £000 |
| Deferred tax—current year | **29,099** | 38,170 |
| Corporation tax—current year | **(511)** | (131) |
| Deferred tax—adjustment in respect of prior year | **494** | (1,717) |
| Corporation tax—adjustment in respect of prior year | **1,134** | (1,213) |
| **Income tax credit** | **30,216** | 35,109 |

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | £000 | £000 |
| Items that may be reclassified to profit or loss | | |
| Cash flow hedge reserve | | |
| Deferred tax on effective portion of changes in fair value | **701** | (5,241) |
| Deferred tax on net amount reclassified to profit or loss | **(2,654)** | 4,288 |
| Costs of hedging reserve | | |
| Deferred tax on net change in fair value due to currency basis spread | **390** | (177) |
| Deferred tax on net amount reclassified to profit or loss | **(25)** | (29) |
| **Deferred tax through Other Comprehensive Income** | **(1,588)** | (1,159) |

Income taxes of £21k were charged directly to equity on transition to IFRS 16 on 1 January 2019 (on transition to IFRS 15 on 1 January 2018: £3.9m).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 12 Income and deferred tax (Cont.)

The tax on the Group's loss before tax differs from the theoretical amount that would arise from applying the UK corporation tax rate for the year of 19% (2018: 19%) to the consolidated losses of the Group, as follows:

| | 31 December 2019 | Restated 31 December 2018 |
|---|---|---|
| | £000 | £000 |
| Loss before taxation on continuing operations | **(104,218)** | (137,803) |
| Tax calculated at UK corporation tax rate of 19% (2018: 19%) | **19,802** | 26,183 |
| Expenses not deductible for tax purposes | **276** | (797) |
| Effect of disposal of subsidiaries | **—** | 1,409 |
| Brought forward deferred tax assets recognised | **10,810** | — |
| Tax losses for which no deferred tax asset is recognised | **—** | 11,104 |
| Deferred tax charge/(credit) regarding changes in tax rates or laws | **(399)** | 229 |
| Tax adjustment in respect of prior years | **1,628** | (2,930) |
| Other | **(1,901)** | (89) |
| **Income tax credit on continuing operations** | **30,216** | 35,109 |

**Future tax impacts**

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 £2.9m higher.

### 13 Intangible assets

The tables below provide a schedule of movements in the carrying amount of intangible assets held on the statement of financial position as at 31 December 2019.

| 2019 Cost | Goodwill | Customer relationships | Distribution network | Assets under construction |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Beginning of year** | **765,156** | **328,343** | **102,602** | **26,455** |
| **Additions** | **3** | **2,019** | **—** | **4,743** |
| **Acquisitions** | **53,730** | **23,085** | **—** | **—** |
| **Disposals** | **—** | **—** | **—** | **(577)** |
| **Transfer between classes** | **—** | **—** | **—** | **(22,916)** |
| **Transfer to property, plant and equipment** | **—** | **—** | **—** | **—** |
| **End of year** | **818,889** | **353,447** | **102,602** | **7,705** |

| 2019 Cost | Brand | Computer software | Intellectual property | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Beginning of year** | **51,035** | **72,581** | **2,254** | **1,348,426** |
| **Additions** | **—** | **7,913** | **—** | **14,678** |
| **Acquisitions** | **638** | **2,053** | **—** | **79,506** |
| **Disposals** | **—** | **(38,186)** | **—** | **(38,763)** |
| **Transfer between classes** | **—** | **22,916** | **—** | **—** |
| **Transfer to property, plant and equipment** | **—** | **(404)** | **—** | **(404)** |
| **End of year** | **51,673** | **66,873** | **2,254** | **1,403,443** |

During 2019, the Group recognised an additional £2.5m as intangible assets related to internally generated software.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13 Intangible assets (Cont.)

| 2019 Amortisation | Goodwill | Customer relationships | Distribution network | Assets under construction |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Beginning of year** | **86,400** | **65,687** | **38,275** | **—** |
| **Charge for year** | **—** | **34,334** | **10,253** | **—** |
| **Disposals** | **—** | **—** | **—** | **—** |
| **End of year** | **86,400** | **100,021** | **48,528** | **—** |

| 2019 Amortisation | Brand | Computer software | Intellectual property | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Beginning of year** | **23,047** | **39,218** | **596** | **253,223** |
| **Charge for year** | **7,020** | **22,607** | **564** | **74,778** |
| **Disposals** | **—** | **(36,752)** | **—** | **(36,752)** |
| **End of year** | **30,067** | **25,073** | **1,160** | **291,249** |

| 2019 Net book value (NBV) | Goodwill | Customer relationships | Distribution network | Assets under construction |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Cost at end of year** | **818,889** | **353,447** | **102,602** | **7,705** |
| **Amortisation at end of year** | **(86,400)** | **(100,021)** | **(48,528)** | **—** |
| **End of year** | **732,489** | **253,426** | **54,074** | **7,705** |

| 2019 Net book value (NBV) | Brand | Computer software | Intellectual property | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Cost at end of year** | **51,673** | **66,873** | **2,254** | **1,403,443** |
| **Amortisation at end of year** | **(30,067)** | **(25,073)** | **(1,160)** | **(291,249)** |
| **End of year** | **21,606** | **41,800** | **1,094** | **1,112,194** |

Included within computer software NBV as at 31 December 2019 was internally generated software NBV of £13.6m.

The tables below provide a schedule of movements in the carrying value of intangible assets held on the statement of financial position as at 31 December 2018.

| 2018 Cost | Goodwill | Commission buy outs | Customer relationships | Distribution network |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Beginning of year | 756,974 | 12,664 | 309,830 | 109,270 |
| Adjustment on transition to IFRS 15 | — | (12,664) | — | — |
| Adjustments to goodwill in respect of prior years | (3,095) | — | — | — |
| Additions | 129 | — | 7,445 | — |
| Acquisitions | 35,821 | — | 28,545 | — |
| Disposals | — | — | — | — |
| Transfer between classes | (1,599) | — | — | — |
| Transfer from property, plant and equipment | — | — | — | — |
| Disposals of subsidiaries | (8,952) | — | (10,091) | — |
| Held for sale assets | (14,122) | — | (7,386) | (6,668) |
| End of year | 765,156 | — | 328,343 | 102,602 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13 Intangible assets (Cont.)

| 2018 Cost | Assets under construction | Brand | Computer software | Intellectual property | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Beginning of year | 22,268 | 47,619 | 54,188 | 2,254 | 1,315,067 |
| Adjustment on transition to IFRS 15 | — | — | — | — | (12,664) |
| Adjustments to goodwill in respect of prior years | — | — | — | — | (3,095) |
| Additions | 9,953 | 7 | 11,920 | — | 29,454 |
| Acquisitions | — | 5,228 | 11,147 | — | 80,741 |
| Disposals | (2,347) | — | (2,398) | — | (4,745) |
| Transfer between classes | (3,115) | — | 4,714 | — | — |
| Transfer from property, plant and equipment | — | — | 344 | — | 344 |
| Disposals of subsidiaries | (304) | — | (2,617) | — | (21,964) |
| Held for sale assets | — | (1,819) | (4,717) | — | (34,712) |
| End of year | 26,455 | 51,035 | 72,581 | 2,254 | 1,348,426 |

During 2018, the Group recognised an additional £3.9m as intangible assets related to internally generated software.

| 2018—Amortisation | Goodwill | Commission buy outs | Customer relationships | Distribution network |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Beginning of year | 86,400 | 7,807 | 40,107 | 29,842 |
| Adjustment on transition to IFRS 15 | — | (7,807) | — | — |
| Charge for year | — | — | 29,182 | 10,760 |
| Disposals | — | — | (1,051) | — |
| Held for sale assets | — | — | (2,551) | (2,327) |
| End of year | 86,400 | — | 65,687 | 38,275 |

| 2018 Amortisation | Assets under construction | Brand | Computer software | Intellectual property | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Beginning of year | — | 16,944 | 26,297 | 32 | 207,429 |
| Adjustment on transition to IFRS 15 | — | — | — | — | (7,807) |
| Charge for year | — | 7,372 | 15,643 | 564 | 63,521 |
| Disposals | — | — | (573) | — | (1,624) |
| Held for sale assets | — | (1,269) | (2,149) | — | (8,296) |
| End of year | — | 23,047 | 39,218 | 596 | 253,223 |

| 2019 Net book value (NBV) | Goodwill | Commission buy outs | Customer relationships | Distribution network |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Cost at end of year | 765,156 | — | 328,343 | 102,602 |
| Amortisation at end of year | (86,400) | — | (65,687) | (38,275) |
| End of year | 678,756 | — | 262,656 | 64,327 |

| 2019 Net book value (NBV) | Assets under construction | Brand | Computer software | Intellectual property | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Cost at end of year | 26,455 | 51,035 | 72,581 | 2,254 | 1,348,426 |
| Amortisation at end of year | — | (23,047) | (39,218) | (596) | (253,223) |
| End of year | 26,455 | 27,988 | 33,363 | 1,658 | 1,095,203 |

Included within computer software NBV as at 31 December 2018 was internally generated software NBV of £12.4m.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13 Intangible assets (Cont.)

The operating segments are the cash generating units ('CGUs') or groups of CGUs of the Group. A summary of goodwill allocated to the operating segments is presented in the tables below:

| | Goodwill 31 December 2018 | Acquisitions and disposals | Intersegment reclassifications | Goodwill 31 December 2019 |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| **Retail** | **168** | **—** | **—** | **168** |
| **Paymentshield** | **84** | **—** | **—** | **84** |
| **Insurance Broking** | **158** | **46** | **46** | **250** |
| **Schemes & Programmes** | **115** | **—** | **(46)** | **69** |
| **MGA** | **46** | **8** | **—** | **54** |
| **Specialty & International** | **108** | **—** | **—** | **108** |
| | **679** | **54** | **—** | **733** |

| | Goodwill 31 December 2017 | Acquisitions and disposals | Intersegment reclassifications | Other adjustments | Goodwill 31 December 2018 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Retail | 135 | 33 | — | — | 168 |
| Paymentshield | 88 | — | (4) | — | 84 |
| Insurance Broking | 131 | 1 | 27 | (1) | 158 |
| Schemes & Programmes | 148 | (9) | (23) | (1) | 115 |
| MGA | 61 | — | — | (15) | 46 |
| Specialty & International | 108 | — | — | — | 108 |
| | 671 | 25 | — | (17) | 679 |

Note: 'Intersegment reclassifications' arise from the reclassification of goodwill (and profits) across operating segments. 'Other adjustments' include adjustments to goodwill in respect of prior years and reclassification of the MGA commercial lines goodwill to held for sale.

Goodwill is tested for impairment annually, and whenever there is an indication that it may be impaired. The annual impairment test is performed as at 30 September each year, rather than as at the reporting date of 31 December, so as to enable more time to be dedicated to the impairment exercise and to thus result in the provision of more reliable information. However, information used in the annual impairment test as at 30 September is not available until after the date of issue of the 30 September financial statements, so an impairment, if any, that results from that annual impairment test would be reflected in the 31 December financial statements.

Goodwill is, for the purposes of impairment testing, allocated to CGUs or groups of CGUs expected to benefit from the business combination associated with that goodwill, where a CGU is the smallest identifiable group of assets that generate independent cash inflows. Management reviewed business performance, as at 30 September 2019 (and 30 September 2018), based on the CGUs or groups of CGUs that are the operating segments. The operating segments represented the lowest level within the Group at which goodwill was monitored for internal management purposes, so the annual impairment test was performed by reference to the operating segments.

An impairment test of goodwill is performed by comparing the carrying amount of each operating segment (i.e. CGU or group of CGUs), including the goodwill, with the recoverable amount of the operating segment. The recoverable amount of an operating segment is the higher of its fair value less costs of disposal (FVLCD) and its value in use (VIU), where the VIU of the operating segment is the present value of its future cash flows. If the recoverable amount of an operating segment is lower than its carrying amount, an impairment loss is recognised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13 Intangible assets (Cont.)

The impairment test of the operating segments as at 30 September 2019 (and 30 September 2018) did not result in an impairment charge to goodwill. The key data is summarised in the tables below and on the next page:

| Table 1 | Adjusted goodwill 30 September 2018 | Acquisitions and disposals | Intersegment reclassifications | Other adjustments | Goodwill 30 September 2019 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **Retail** | **135** | **33** | **—** | **—** | **168** |
| **Paymentshield** | **84** | **—** | **—** | **—** | **84** |
| **Insurance Broking** | **159** | **46** | **46** | **(1)** | **250** |
| **Schemes & Programmes** | **116** | **—** | **(46)** | **(1)** | **69** |
| **MGA** | **47** | **7** | **—** | **(1)** | **53** |
| **Specialty & International** | **108** | **—** | **—** | **—** | **108** |
| | **649** | **86** | **—** | **(3)** | **732** |

| Table 2<br>30 September 2019 | FVLCD | VIU | Recoverable amount |
|---|---|---|---|
| | £m | £m | £m |
| **Retail** | **783** | **980** | **980** |
| **Paymentshield** | **282** | **354** | **354** |
| **Insurance Broking** | **900** | **1,126** | **1,126** |
| **Schemes & Programmes** | **181** | **226** | **226** |
| **MGA** | **158** | **197** | **197** |
| **Specialty & International** | **651** | **815** | **815** |
| | **2,955** | **3,698** | **3,698** |

| Table 3<br>30 September 2019 | Adjusted goodwill | Carrying amount | Recoverable amount | Headroom |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| **Retail** | **168** | **348** | **980** | **632** |
| **Paymentshield** | **84** | **117** | **354** | **237** |
| **Insurance Broking** | **250** | **423** | **1,126** | **703** |
| **Schemes & Programmes** | **69** | **117** | **226** | **109** |
| **MGA** | **53** | **95** | **197** | **102** |
| **Specialty & International** | **108** | **204** | **815** | **611** |
| | **732** | **1,304** | **3,698** | **2,394** |

| Table 1 | Goodwill 31 December 2017 £m | Acquisitions and disposals | Intersegment reclassifications | Adjusted goodwill 31 December 2018 |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Autonet & Carole Nash | 135 | — | — | 135 |
| Paymentshield | 88 | — | (4) | 84 |
| Insurance Broking | 131 | 1 | 27 | 159 |
| Schemes & Programmes | 148 | (9) | (23) | 116 |
| MGA | 61 | (14) | — | 47 |
| Specialty & International | 108 | — | — | 108 |
| | 671 | (22) | — | 649 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13 Intangible assets (Cont.)

**Table 2**
**30 September 2018**

| | FVLCD | VIU | Recoverable amount |
|---|---|---|---|
| | £m | £m | £m |
| Autonet & Carole Nash | 308 | 347 | 347 |
| Paymentshield | 236 | 267 | 267 |
| Insurance Broking | 476 | 537 | 537 |
| Schemes & Programmes | 193 | 218 | 218 |
| MGA | 103 | 116 | 116 |
| Specialty & International | 341 | 384 | 384 |
| | 1,657 | 1,869 | 1,869 |

**Table 3**
**30 September 2018**

| | Adjusted goodwill | Carrying amount | Recoverable amount £m | Headroom |
|---|---|---|---|---|
| | £m | £m | | £m |
| Autonet & Carole Nash | 135 | 233 | 347 | 114 |
| Paymentshield | 84 | 121 | 267 | 146 |
| Insurance Broking | 159 | 284 | 537 | 253 |
| Schemes & Programmes | 116 | 189 | 218 | 29 |
| MGA | 47 | 92 | 116 | 24 |
| Specialty & International | 108 | 217 | 384 | 167 |
| | 649 | 1,136 | 1,869 | 733 |

Further information is provided below about the amounts in the preceding tables:

**Goodwill**

The ‘Intersegment reclassifications’ column in table 1 reflects the impact on goodwill of the reclassification during the 12 month period to 30 September 2019 of the SME business from the Schemes & Programmes operating segment to the Insurance Broking operating segment (2018: The ‘Intersegment reclassifications’ column in table 1 reflects the impact on goodwill of the reclassification during the 9 month period to 30 September 2018 of the Caring Professional business from the Schemes & Programmes operating segment to the Insurance Broking operating segment, and the transfer of the Health & Protect business and assets from the Paymentshield operating segment to the Schemes &
Programmes operating segment).

The ‘Acquisitions and disposals’ column in table 1 reflects the impact on goodwill of the acquisition by the Group during the 12 month period to 30 September 2019 of the share capital of Swinton (Holdings) Limited, the goodwill of which is included in the Retail operating segment, and of the share capital of Nevada Investment Holdings 2 Limited, the goodwill of which is included in the Insurance Broking and MGA operating segments given that it is attributed to its subsidiaries at the time of the acquisition, namely Health and Protection Solutions Limited, Minton House Group Limited and Professional Fee Protection Limited (2018: The ‘Acquisitions and disposals’ column in table 1 reflects the impact on goodwill of the acquisition by the Group during the 9 month period to 30 September 2018 of the business and assets of Haven Insurance Brokers Limited and of Trust Insurance Group Limited).

The term ‘Adjusted’ has been used to describe the goodwill as at 30 September 2018 in table 1 because it reflects the disposal by the Group of Direct Group Property Services Limited and of the MGA commercial lines business and assets (together the ‘disposals’) even though those disposals occurred after 30 September 2018. This was to ensure that the goodwill and thus the carrying amount as at 30 September 2018 was determined in a way that was consistent with their recoverable amount as at 30 September 2018, which was based on forecasts that reflected the disposals as if they had already occurred.

**Carrying amount**

The ‘Carrying amount’ column in table 3 includes the carrying amounts of the operating segments. These amounts are determined by adding back external debt and lease liabilities (2018: external debt) to the net assets

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13 Intangible assets (Cont.)

**Carrying amount** (Cont.)

of each operating segment and the Corporate non-operating segment, by allocating the resulting adjusted net assets of the Corporate non-operating segment across the operating segments pro rata to the resulting adjusted net assets of each operating segment, and by adding these amounts to the goodwill of the operating segments after first grossing that goodwill up for the non-controlling interest.

**Value in use**

The 'VIU' column in table 2 includes the present value of future cash flows of the operating segments together with an allocation of the cash flows of the Corporate non-operating segment, where the cash flows are based on the most recent five-year forecast (2018: three-year forecast) for Adjusted EBITDA as approved by management, pro forma for completed transactions as at 30 September 2019 (2018: 30 September 2018). These forecasts were determined by considering historic business performance, by overlaying it with assumptions to reflect areas where growth or income improvement is expected, and by taking into account the expected results of cost management programmes to which the Group is committed. The 2024 forecast (2018: 2021 forecast) is extrapolated to subsequent years using a steady growth rate being the CPI inflation rate of 1.9% per annum (2018: RPI inflation rate of 3% per annum), and a terminal value is calculated using the perpetual growth model. The discount rate of 9.31% (2018: 11%) that has been applied to the forecasts is a market participant weighted average cost of capital calculated by reference to the Capital Asset Pricing Model.

**Fair value less costs of disposal (FVLCD)**

The 'FVLCD' column in table 2 is determined by reference to the fair value of the Group, which is calculated based on multiples of forecast 2020 (2018: forecast 2019) Adjusted EBITDA and on information provided by external advisors. The fair value of a CGU is estimated using a valuation technique that makes use of level 3 inputs, in accordance with IFRS 13 'Fair Value Measurement', specifically by apportioning the fair value of the Group between the operating segments based on the VIU of each operating segment. The estimated costs of disposal, which are assumed based on market experience to be 1.5% (2018: 1.5%) of the fair value of the operating segment, are then deducted to determine the FVLCD of the operating segment.

**Recoverable amount**

The 'Recoverable amount' column in tables 2 and 3 is equal to the VIU for all operating segments, as VIU is greater than FVLCD in all cases.

The key assumption to which the VIU and thus the recoverable amount is most sensitive is the five-year forecast (2018: three-year forecast) for Adjusted EBITDA. If the five-year forecast for Adjusted EBITDA were to be decreased by 48.9% (2018: 13.5%), there would be an impairment to the Schemes & Programmes operating segment. If the forecast were to instead be decreased by 51.7% (2018: 20.3%), there would also be an impairment to the MGA operating segment. If the forecast were to instead be decreased by 63.1% (2018: 33.2%), there would also be an impairment to the Insurance Broking operating segment. No further reasonably possible change in this assumption alone would result in an impairment to any other CGU.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14 Property, plant and equipment

The tables below provide a schedule of the movements in the carrying amount of property, plant and equipment held on the statement of financial position at 31 December 2019.

| 2019 Cost | Freehold property | Leasehold improvements | Assets under construction | Furniture and office equipment |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Beginning of year** | **8,591** | **17,191** | **263** | **2,798** |
| **IFRS 16 transition adjustment** | **(262)** | **—** | **—** | **—** |
| **Additions** | **—** | **3,719** | **97** | **309** |
| **Acquisitions** | **—** | **—** | **—** | **114** |
| **Disposals** | **(2,739)** | **(9,360)** | **(30)** | **(1,661)** |
| **Transfer from/(to) intangible assets** | **—** | **7** | **(233)** | **(37)** |
| **Assets classified as held for sale** | **(1,397)** | **—** | **—** | **—** |
| **End of year** | **4,193** | **11,557** | **97** | **1,523** |

| 2019 Cost | Computer equipment | Fixtures and fittings | Motor vehicles | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Beginning of year** | **25,859** | **8,403** | **181** | **63,286** |
| **IFRS 16 transition adjustment** | **—** | **—** | **—** | **(262)** |
| **Additions** | **1,739** | **1,496** | **11** | **7,371** |
| **Acquisitions** | **226** | **53** | **25** | **418** |
| **Disposals** | **(4,640)** | **(4,783)** | **(137)** | **(23,350)** |
| **Transfer to/(from) intangible assets** | **667** | **—** | **—** | **404** |
| **Assets classified as held for sale** | **—** | **—** | **—** | **(1,397)** |
| **End of year** | **23,851** | **5,169** | **80** | **46,470** |

| 2019 Depreciation | Freehold property | Leasehold improvements | Assets under construction | Furniture and office equipment |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Beginning of year** | **825** | **3,819** | **—** | **1,647** |
| **Charge for year** | **110** | **3,016** | **—** | **429** |
| **Disposals** | **—** | **(4,949)** | **—** | **(1,645)** |
| **End of year** | **935** | **1,886** | **—** | **431** |

| 2019 Depreciation | Computer equipment | Fixtures and fittings | Motor vehicles | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Beginning of year** | **15,415** | **4,455** | **117** | **26,278** |
| **Charge for year** | **5,256** | **1,094** | **32** | **9,937** |
| **Disposals** | **(4,538)** | **(4,665)** | **(116)** | **(15,913)** |
| **End of year** | **16,133** | **884** | **33** | **20,302** |

| 2019 Net book value (NBV) | Freehold property | Leasehold improvements | Assets under construction | Furniture and office equipment |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Cost at end of year** | **4,193** | **11,557** | **97** | **1,523** |
| **Depreciation at end of year** | **(935)** | **(1,886)** | **—** | **(431)** |
| **NBV at end of year** | **3,258** | **9,671** | **97** | **1,092** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14 Property, plant and equipment (Cont.)

| 2019 Net book value (NBV) | Computer equipment | Fixtures and fittings | Motor vehicles | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Cost at end of year** | **23,851** | **5,169** | **80** | **46,470** |
| **Depreciation at end of year** | **(16,133)** | **(884)** | **(33)** | **(20,302)** |
| **NBV at end of year** | **7,718** | **4,285** | **47** | **26,168** |

The tables below provide a schedule of the movements in the carrying value of property, plant and equipment held on the statement of financial position at 31 December 2018.

| 2018 Cost | Freehold property | Leasehold improvements | Assets under construction | Furniture and office equipment |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Beginning of year | 4,161 | 13,578 | 110 | 2,981 |
| Additions | 36 | 364 | 153 | 383 |
| Acquisitions | 4,394 | 5,480 | — | — |
| Disposals | — | (2,231) | — | (566) |
| Disposal of subsidiaries | — | — | — | — |
| Transfer to intangible assets | — | — | — | — |
| Assets classified as held for sale | — | — | — | — |
| End of year | 8,591 | 17,191 | 263 | 2,798 |

| 2018 Cost | Computer equipment | Fixtures and fittings | Motor vehicles | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Beginning of year | 23,672 | 8,783 | 277 | 53,562 |
| Additions | 1,101 | 661 | 22 | 2,720 |
| Acquisitions | 2,779 | 93 | — | 12,746 |
| Disposals | (587) | (86) | (118) | (3,588) |
| Disposal of subsidiaries | (762) | (866) | — | (1,628) |
| Transfer to intangible assets | (344) | — | — | (344) |
| Assets classified as held for sale | — | (182) | — | (182) |
| End of year | 25,859 | 8,403 | 181 | 63,286 |

| 2018 Depreciation | Freehold property | Leasehold improvements | Assets under construction | Furniture and office equipment |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Beginning of year | 709 | 3,080 | — | 1,622 |
| Charge for year | 116 | 1,722 | — | 589 |
| Transfer between classes | — | — | — | (111) |
| Disposals | — | (983) | — | (453) |
| Disposal of subsidiaries | — | — | — | — |
| Assets classified as held for sale | — | — | — | — |
| End of year | 825 | 3,819 | — | 1,647 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14 Property, plant and equipment (Cont.)

| 2018 Depreciation | Computer equipment | Fixtures and fittings | Motor vehicles | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Beginning of year | 12,355 | 3,926 | 180 | 21,872 |
| Charge for year | 4,307 | 986 | 43 | 7,763 |
| Transfer between classes | — | 111 | — | — |
| Disposals | (567) | (86) | (106) | (2,195) |
| Disposal of subsidiaries | (680) | (313) | — | (993) |
| Assets classified as held for sale | — | (169) | — | (169) |
| End of year | 15,415 | 4,455 | 117 | 26,278 |

| 2018 Net book value (NBV) | Freehold property | Leasehold improvements | Assets under construction | Furniture and office equipment |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Cost at end of year | 8,591 | 17,191 | 263 | 2,798 |
| Depreciation at end of year | (825) | (3,819) | — | (1,647) |
| NBV at end of year | 7,766 | 13,372 | 263 | 1,151 |

| 2018 Net book value (NBV) | Computer equipment | Fixture and fixings | Motor Vehicles | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Cost at end of year | 25,859 | 8,403 | 181 | 63,286 |
| Depreciation at end of year | (15,415) | (4,455) | (117) | (26,278) |
| NBV at end of year | 10,444 | 3,948 | 64 | 37,008 |

### 15 Leases

The Group applied IFRS 16 from 1 January 2019 (see note 3).

The majority of the Group's leases are for properties in the UK and these leases typically run for a period of 5-10 years. Some of the Group's leases are being held over beyond the original end date of the lease. Rent is normally fixed but may be subject to a review every few years. Many of the Group's long-term contracts have an option to terminate the lease prior to its end date, however, in most cases, termination options are not reasonably certain to be exercised so that the lease liability reflects all lease payments through to the ultimate end date of the lease. Service charges and other contractual payments to the lessor are excluded from the measurement of the lease liability. VAT (including when it is irrecoverable) and business rates are also excluded from the measurement of the lease liability as they do not constitute a lease payment under IFRS 16.

The Group does not act as a lessor other than as a sublessor. Subleases are not considered material for the Group.

Leases of low value assets, for which the Group applies the practical expedient not to recognise a lease liability, are not considered material for the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 15 Leases (Cont.)

The table below provides a schedule of the movements in the carrying amount of the right-of-use assets and lease liabilities (when the Group acts as a lessee) that are held on the statement of financial position during the year ended 31 December 2019.

| | Right-of-use assets | | | |
|---|---|---|---|---|
| | Property | Non-property | Total | Lease liabilities |
| | £000 | £000 | £000 | £000 |
| As at 1 January 2019 | 64,015 | 338 | 64,353 | (71,145) |
| Additions | 5,988 | 890 | 6,878 | (8,509) |
| Terminations/modifications | (23,225) | (58) | (23,283) | 26,138 |
| Depreciation | (9,691) | (443) | (10,134) | — |
| Impairment | (818) | (46) | (864) | — |
| Interest expense | — | — | — | (6,256) |
| Lease payments | — | — | — | 16,073 |
| Classified as held for sale | (741) | — | (741) | 594 |
| **As at 31 December 2019** | 35,528 | 681 | 36,209 | (43,105) |
| **Current** | | | | (10,084) |
| **Non-current** | | | | (33,021) |
| | | | | (43,105) |

In addition to the above, the Group recognised the following in profit or loss for the period in relation to leases:

| | 31 December 2019 |
|---|---|
| | £000 |
| Variable lease payments expensed (presented within other operating expenses and mainly relates to service charges) | 3,778 |
| Expense relating to irrecoverable VAT on rent payments and business rates (presented within other operating costs) | 6,646 |
| Net profit on termination of leases (presented within other income) | (2,992) |
| Finance income on finance subleases (presented within finance income) | (153) |
| Income from operating subleases (presented within other income) | (390) |
| | 6,889 |

During the year ended 31 December 2019, the Group has completed the formal assignment of certain leases that were contractually agreed to be assigned on 31 December 2018 and on 1 January 2019. As a result, the Group derecognised the related lease liability and right-of-use asset amounting to £17.5m.

During the year ended 31 December 2019, the estimated total cash outflows for leases (excluding cash inflows for subleases and lease incentives), constituting rent payments (excluding VAT, whether recoverable or not) and variable lease payments (that do not form part of the lease liability—mainly service charges), was £19.9m.

#### Maturity analysis

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

| | 31 December 2019 |
|---|---|
| | £000 |
| Within one year | 10,963 |
| In two to five years | 39,779 |
| In over 5 years | 13,194 |
| **Total undiscounted value** | 63,936 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 16 Business combinations

On 31 January 2019, The Ardonagh Group Limited completed the acquisition of 100% of the issued share capital of Nevada Investment Holdings 2 Limited (Nevada 2), the indirect holding company of Nevada 3, and its subsidiaries. The consideration paid for the acquisition was £67.0m of convertible equity certificates, which were subsequently converted to shares. There is no contingent consideration for this purchase.

The table below presents the consideration and the consolidated assets and liabilities of the Nevada 2 acquisition on 31 January 2019 and it also presents an adjustment to the Swinton acquisition completed on 31 December 2018:

| | Nevada 2 £000 | Swinton £000 | Total £000 |
|---|---|---|---|
| **Purchase consideration** | | | |
| Adjustment to purchase consideration | — | (400) | (400) |
| Issue of convertible equity certificates | 67,000 | — | 67,000 |
| **Total purchase consideration** | 67,000 | (400) | 66,600 |
| **Assets and liabilities as a result of the acquisitions** | | | |
| **Non-current assets** | | | |
| Right-of-use assets | 694 | — | 694 |
| Tangible assets | 419 | — | 419 |
| **Current assets** | | | |
| Cash own funds | 8,171 | — | 8,171 |
| Cash fiduciary funds | 256 | — | 256 |
| Trade and other receivables | 2,126 | — | 2,126 |
| Other assets | 98 | — | 98 |
| **Current liabilities** | | | |
| Trade and other payables | (5,970) | — | (5,970) |
| Lease liabilities | (694) | — | (694) |
| Contract liabilities | (104) | — | (104) |
| **Non-current liabilities** | | | |
| Contract liabilities | (123) | — | (123) |
| Provisions | (13,528) | — | (13,528) |
| Deferred tax | 154 | — | 154 |
| **Net assets acquired** | (8,501) | — | (8,501) |
| Customer relationships | 23,085 | — | 23,085 |
| Brand | 638 | — | 638 |
| Computer Software | 2,053 | — | 2,053 |
| Deferred tax | (4,373) | (32) | (4,405) |
| Net identifiable intangible assets acquired | 21,403 | (32) | 21,371 |
| Goodwill | 54,098 | (368) | 53,730 |
| **Total purchase consideration** | 67,000 | (400) | 66,600 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 16 Business combinations (Cont.)

Goodwill is calculated as the difference between the acquisition consideration and the acquisition date fair value of net assets acquired. It represents the value of the acquired business' assembled workforce and future economic benefits (beyond those already represented by other assets in the balance sheet) that we expect to receive as a result of the acquisition.

The acquisition of Nevada 2 contributed revenue of £17.2m and profit after tax of £0.6m to the Group in the year ended 31 December 2019. If the acquisitions had completed on the first day of the year, Group revenues would have been reported as £668.5m and loss after tax as £(72.9)m.

### 17 Transactions with non-controlling interests

During the year the Group purchased from non-controlling interests 33,610 B shares of Ardonagh Specialty Holdings Limited, which have no voting rights or rights to dividends, for a consideration of £4.9m, of which £1.6m was paid in the year.

The Group also purchased from non-controlling interests the remaining 15,634 B shares (representing 0.19% of the interest) of Price Forbes Holdings Limited, for a nominal consideration. The effect on equity attributable to the owners of Price Forbes Holdings Limited during the year is a reduction on the carrying amount of non-controlling interest of £0.1m and an increase in controlling interest reserve within equity of £0.1m.

The effect on the equity attributable to the owners of Ardonagh Specialty Holdings Limited during the year is summarised as follows:

| 31 December 2019 | Ardonagh Specialty Holdings Limited |
|---|---|
| | £000 |
| Consideration paid/payable to non-controlling interests | **(4,936)** |
| Excess of consideration paid/payable recognised in the transactions with non-controlling interests reserve within equity | **(4,936)** |

| 31 December 2018 | Price Forbes Holdings 2018 | B.I.B.U. Acquisitions 2018 |
|---|---|---|
| | £000 | £000 |
| Carrying amount of non-controlling interests purchased | 13,946 | — |
| Consideration paid/payable to non-controlling interests | (9,711) | (620) |
| Excess of consideration paid/payable recognised in the transactions with non-controlling interests reserve within equity | 4,325 | (620) |

### 18 Investment in associates and joint ventures

#### Associates

#### Sino Insurance Brokers Limited:

On 12 September 2019, the Group acquired a 40% interest in Sino Insurance Brokers Limited (which has a wholly owned subsidiary, Sino Reinsurance Brokers Limited), comprising 400,000 ordinary shares of HK$1 each. This associate is initially recognised at cost and subsequently via the equity method, where the cost is the consideration comprising cash of HK$14.3m and deferred contingent consideration with a fair value that has been estimated, pending completion of the measurement period, to be HK$21.4m. The Group is entitled, under the terms of the acquisition of the 40% interest, to exercise a call option during the period 1 January 2021 to 31 December 2023 to acquire a further 35% interest in Sino Insurance Brokers Limited, comprising 350,000 ordinary shares of HK$1 each.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 18 Investment in associates and joint ventures (Cont.)

**Bravo Investment Holdings Limited:**

On 1 July 2016, the Group acquired a 19.9% share in Bravo Investment Holdings Limited (Bravo), which is incorporated and based in the UK. Just prior to this, Bravo acquired The Broker Network Limited and Countrywide Insurance Management Limited from Ardonagh Services Limited (formerly Towergate Insurance Limited). Bravo provides third party brokers with access to insurance products and a variety of business support services.

On 19 January 2018, the Group disposed of its shareholding in Bravo to Nevada Investment Holdings 2 Limited (Nevada 2), which was then a related party of the Ardonagh Group due to common shareholders. Nevada 2 subsequently sold its shares in Bravo and its rights and obligations under the sale and purchase agreement to Nevada 4 Midco 1 Limited, a related party of the Group due to common shareholders. £30.0m cash was received on the disposal to Nevada 2. The cash received, plus a further £1.2m, is subject to a contingent clawback mechanism based on the equity value of Bravo on the settlement date. Following a 1 July 2019 amended agreement, the settlement date is a date between 19 January 2020 and 30 September 2020, at the election of Ardonagh, and settlement may be in cash or equity of the Company. A deferred proceeds liability of £15.0m in relation to this clawback mechanism is recognised by the Group at 31 December 2019 (note 27).

At the time of disposal, the £30.0m cash received was recognised and £20.0m was recorded as a deferred proceeds liability, resulting in a gain on disposal of associate of £4.6m. At 31 March 2018, the fair value of the deferred proceeds liability was reassessed based on the then current equity value of Bravo, resulting in the recognition of a £3.3m increase to the gain on disposal. At 30 June 2019, the fair value of the deferred proceeds liability was reassessed again, resulting in the recognition of a £3.3m decrease to the gain on disposal. A further reassessment in the fourth quarter led to a £5.0m increase in the gain on disposal.

When the Group owned 19.9% of Bravo there was an agreement in place in respect of the equity of Bravo which included certain minority protection rights, rights in respect of share transfers and a long-term option arrangement over remaining shares in Bravo. This option was exercisable by the Group at or above market value and therefore the associated derivative had no fair value. This agreement was retained, with minor amendments, after the disposal of the associate.

| Investment in associates | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | £000 | £000 |
| Start of the year | **—** | 5,356 |
| Addition | **3,583** | — |
| Share of profit for the year | **217** | — |
| Disposal | **—** | (5,356) |
| **End of the year** | **3,800** | — |

Summarised financial information in respect of the Group's interest in Sino Insurance Brokers Limited is set out below:

| Investment in associate | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | £000 | £000 |
| Non-current assets | **135** | — |
| Current assets | **15,048** | — |
| Current liabilities | **(4,931)** | — |
| **Equity attributable to the owners of the parent** | **10,252** | — |

| Investment in associate | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | £000 | £000 |
| **Revenue** | **924** | — |
| **Profit after tax** | **426** | — |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Cont.)

**18 Investment in associates and joint ventures** (Cont.)

**Joint ventures**

The Group has a participating interest in Carole Nash Legal Services LLP, a legal practice. Carole Nash Insurance Consultants Limited, a Group subsidiary company, owns 50% of the total equity of Carole Nash Legal Services LLP.

| Investment in joint ventures | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | £000 | £000 |
| Start of the year | **3,340** | 2,763 |
| Distribution | **(1,400)** | (1,200) |
| Share of profit for the year | **1,680** | 1,777 |
| **End of the year** | **3,620** | 3,340 |

Summarised financial information in respect of the Group's interest in Carole Nash Legal Services LLP is set out below:

| Investment in joint ventures | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | £000 | £000 |
| Current assets | **4,745** | 4,430 |
| **Equity attributable to the owners of the parent** | **4,745** | 4,430 |

| Investment in joint ventures | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | £000 | £000 |
| **Revenue** | **3,676** | 3,964 |
| **Profit after tax** | **2,145** | 2,349 |

**19 Cash and cash equivalents**

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | £000 | £000 |
| Own funds | **48,192** | 112,534 |
| Own funds—restricted | **36,604** | 46,017 |
| Fiduciary funds | **326,107** | 346,405 |
| | **410,903** | 504,956 |

Included within own funds at 31 December 2018 was £27.6m of cash in an escrow account. This was transferred into the Group's normal own funds account in January 2019. As at 31 December 2019, no funds are held in escrow.

Restricted own funds comprise:

- £13.5m as at 31 December 2019 (2018: £13.1m) of restricted cash kept in segregated accounts for claim settlements in relation to the disposal of the Towergate Financial business by Towergate Insurance Limited, an intermediate holding company within the Group.
- £23.1m as at 31 December 2019 (2018: £22.9m) of restricted cash kept in segregated accounts pursuant to the FCA's Threshold Condition 2.4 (applicable to the insurance broking industry), for ensuring that funds are available to pay any costs and expenses necessary to achieve an orderly wind down of the Group's business in the event its broking operations cease to operate or are otherwise closed. The amount of cash required to be held is determined by management and agreed by the FCA.
- £Nil of cash (31 December 2018: £10m) is restricted in respect of the acquisition of Swinton in December 2018.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 19 Cash and cash equivalents (Cont.)

Fiduciary funds represent client money used to pay premiums to underwriters, to settle claims to policyholders and to defray commission and other income. Fiduciary funds are not available for general corporate purposes.

### 20 Trade and other receivables

The Group had exposures at 31 December 2019 to numerous individual trade counterparties within trade receivables. In accordance with Group policy, trade receivable balances are continually monitored against credit limits and concentration of risk. No individual trade counterparty credit exposure is considered significant in the ordinary course of trading activity. The maximum exposure to credit risk at the reporting date is the carrying value of the receivables. The Group does not hold any collateral as security.

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | £000 | £000 |
| Trade receivables | **85,331** | 181,201 |
| Less: expected credit loss allowance | **(10,789)** | (7,993) |
| Trade receivables—net | **74,542** | 173,208 |
| Prepayments | **22,469** | 26,320 |
| Accrued income | **10,782** | 9,750 |
| Other receivables* | **32,133** | 35,651 |
| Other debtors | **24,020** | 22,625 |
| Related party debtors | **7,104** | 4,210 |
| Contingent consideration receivable | **279** | 952 |
| | **171,329** | 272,716 |
| Current | **155,573** | 255,216 |
| Non-current | **15,756** | 17,500 |
| | **171,329** | 272,716 |

* Other receivables include amounts recognised on a business combination in relation to the Group's right to variable consideration on rolling contracts with customers, for which the performance obligation was satisfied prior to the acquisition. These receivables are classified as FVTPL.

### 21 Contract balances

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | £000 | £000 |
| **Contract assets** | **11,509** | 12,594 |
| **Current** | **9,801** | 10,315 |
| **Non-current** | **1,708** | 2,279 |
| **Contract liabilities** | | |
| Post-placement performance obligations | **(6,548)** | (7,773) |
| Other deferred income | **(21,752)** | (10,052) |
| | **(28,300)** | (17,825) |
| **Current** | **(26,829)** | (15,400) |
| **Non-current** | **(1,471)** | (2,425) |
| | **(28,300)** | (17,825) |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 21 Contract balances (Cont.)

Contract assets are amounts of revenue recognised by the Group that are subject to variability. Variable consideration is a key source of estimation uncertainty (see note 4). The decrease in contract assets during the year ending 31 December 2019 relates mainly to reclassification of balances to trade and other receivables. The estimated revenue relating to profit commission that was recognised in 2019 on policies incepted prior to 2019 amounts to £4.8m (2018: £3.3m related to policies incepted prior to 2018). This is generally due to re-estimation of amounts previously recognised and relaxation of the constraint on revenue as amounts become more certain.

Contract liabilities represent the Group's obligation to transfer services to customers for which the Group has received the consideration (or the amount is due) from the customer. During the year ended 31 December 2019, the Group recognised revenue amounting to £15.4m (2018: £11.9m) that was included in the opening balance of contract liabilities. Contract liabilities increased during the year ended 2019 mainly due to an increase in premium financing commissions that are advanced to the Group by third-party premium credit providers.

The Group applies the practical expedient in IFRS 15 not to disclose information about the transaction price associated with performance obligations to be completed after the reporting date, if the performance obligation is part of a contract that has an original expected duration of one year or less. With respect to contracts with an original expected duration of more than a year, the aggregate amount of transaction price allocated to performance obligations that are unsatisfied (or partially satisfied) as of the reporting date is £6.5m (2018: £7.8m). This amount is expected to be recognised as revenue as follows:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | £000 | £000 |
| Within 12 months of the reporting date | **5,685** | 5,356 |
| Between 12 and 24 months of the reporting date | **435** | 1,039 |
| More than 24 months after the reporting date | **428** | 1,378 |
| | **6,548** | 7,773 |

### 22 Other assets

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | £000 | £000 |
| Costs to fulfil contracts with customers | **7,254** | 6,724 |
| Costs to obtain contracts with customers | **20,881** | 13,248 |
| | **28,135** | 19,972 |
| Current | **19,098** | 16,266 |
| Non-current | **9,037** | 3,706 |
| | **28,135** | 19,972 |

The Group's costs to fulfil balance at each reporting period reflects salaries and other costs of customer-facing employees who undertake activities necessary to satisfy anticipated contracts with the customer. This is subsequently released to profit or loss when the Group recognises the related revenue from those contracts, which is usually soon after the reporting date (1-3 months). The net impact on profit or loss for the year ended 31 December 2019 was a decrease in staff costs of £0.5m (31 December 2018: £2.0m).

Costs to obtain include incremental fees paid to aggregator websites for obtaining new business and are amortised, on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates, over the average life of the relationship with the customer. Amortisation amounting to £21.7m was recognised in profit or loss during the year ended 31 December 2019 (31 December 2018: £9.7m). During the year ended 31 December 2019, costs to obtain contracts with customers increased due to a more extensive use of aggregator websites (also following the acquisition of Swinton in 2018) and higher sale volumes.

There was no impairment loss in relation to the costs capitalised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 23 Cash generated from operations

| Cash flows from operating activities | 31 December 2019 | Restated* 31 December 2018 |
|---|---|---|
| | £000 | £000 |
| Loss for the year after tax | **(74,002)** | (102,694) |
| Depreciation of property, plant and equipment and right-of-use assets | **20,071** | 7,763 |
| Amortisation | **74,778** | 66,616 |
| Loss on disposal and impairment of property, plant and equipment, right of use assets and intangible assets | **7,658** | 1,393 |
| Other (gains)/losses | **(1,206)** | 490 |
| Adjustment to gain on disposal of associate | **(1,750)** | — |
| Gain on disposal of business | **(2,244)** | (3,770) |
| Transaction costs on completed and aborted acquisitions accrued in the year | **1,185** | 3,649 |
| Transaction costs on completed and aborted acquisitions paid in the year | **(5,705)** | — |
| Finance costs—net of finance income | **111,603** | 94,122 |
| Investment income | **(2,657)** | (2,106) |
| Share of profit from associate and joint venture | **(1,897)** | (1,777) |
| Tax credit | **(30,216)** | (26,179) |
| Fair value loss/(gain) on derivatives | **604** | (2,485) |
| Recycling to income statement from cash flow hedging reserve on forward contracts | **645** | (318) |
| Increase/(decrease) in trade and other receivables | **105,910** | (68,824) |
| (Decrease)/increase in trade and other payables | **(87,956)** | 118,875 |
| Decrease in contract assets | **1,084** | 2,474 |
| Increase in other assets | **(8,065)** | (1,777) |
| Increase in contract liabilities | **10,342** | 2,108 |
| Effect of movements in exchange rates on cash held | **5,443** | (6,895) |
| Decrease in provisions | **(25,206)** | (602) |
| **Net cash inflow from operations** | **98,419** | 68,818 |

* The Group has recognised a deferred tax asset in its consolidated financial statements in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. A deferred tax asset is recognised on the basis that future taxable profits will arise in the consolidated financial statements as a result of the unwind of the deferred tax liability that was already included in those financial statements in relation to intangible assets recognised on a business combination. The adjustment increases deferred tax assets and decreases retained losses in the statement of financial position by £32.4m as at 31 December 2018 (1 January 2018: £23.5m), and it increases the tax credit in the income statement for the year ended 31 December 2018 by £8.9m.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 24 Reconciliation of liabilities to cash flows arising from financing activities

| Year ended 31 December 2019 | Premium financing liabilities | Trade and other payables | Borrowings | Lease liabilities | Financing cash flows relating to equity transactions | Total |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | | £000 |
| **At the beginning of the year** | **72,072** | **440** | **1,144,352** | **71,145** | **—** | **1,288,009** |
| Interest paid on borrowings | (2,535) | (2,035) | (90,671) | — | — | (95,241) |
| Net repayments from premium financing | (67,731) | — | — | — | — | (67,731) |
| Debt transaction costs | — | — | (7,012) | — | — | (7,012) |
| Sundry loans issued | — | (8,347) | — | — | — | (8,347) |
| Interest paid on lease liabilities | — | — | — | (6,256) | — | (6,256) |
| Repayment of lease liabilities | — | — | — | (9,817) | — | (9,817) |
| Transactions with non-controlling interests | — | — | — | — | (4,304) | (4,304) |
| Settlement of shareholder loan notes | — | — | (4,589) | — | — | (4,589) |
| Purchase of own shares | — | — | — | — | (9,514) | (9,514) |
| | **(70,266)** | **(10,382)** | **(102,272)** | **(16,073)** | **(13,818)** | **(212,811)** |
| **Non-cash changes:** | | | | | | |
| Effect of changes in foreign exchange rates | — | — | (19,368) | — | — | (19,368) |
| Interest expense | 2,535 | 1,625 | 104,595 | 6,256 | — | 115,011 |
| Accrued transaction costs | — | — | 8,531 | — | — | 8,531 |
| New leases/lease modifications | — | — | — | (17,629) | — | (17,629) |
| Amounts classified as held-for-sale | — | — | — | (594) | — | (594) |
| Equity related | — | — | — | — | 13,818 | 13,818 |
| **At the end of the year** | **4,341** | **(8,317)** | **1,135,838** | **43,105** | **—** | **1,174,967** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 24 Reconciliation of liabilities to cash flows arising from financing activities (Cont.)

| Year ended 31 December 2018 | Premium financing liabilities £000 | Trade and other payables £000 | Borrowings £000 | Financing cash flows relating to equity transactions £000 | Total £000 |
|---|---|---|---|---|---|
| At the beginning of the year | — | 3,119 | 896,356 | — | 899,475 |
| Cash flows from financing activities: | | | | | |
| Proceeds from new loan notes | — | — | 276,256 | — | 276,256 |
| Proceeds from issue of shares | — | — | (45,000) | — | (45,000) |
| Proceeds from borrowings | — | (875) | (78,163) | — | (79,038) |
| Proceeds from premium financing | 72,072 | — | — | — | 72,072 |
| Repayment of borrowings | — | — | (6,406) | — | (6,406) |
| Costs incurred on borrowings/equity | — | — | — | (4,518) | (4,518) |
| Settlement of deferred consideration | — | — | (4,867) | — | (4,867) |
| Settlement of financial liabilities on acquisition | — | — | — | (116) | (116) |
| Capital element of finance lease rental payments | — | — | (44) | — | (44) |
| | 72,072 | (875) | 141,776 | (4,634) | 208,339 |
| Non-cash changes: | | | | | |
| On acquisition of business | — | (3,089) | (5,000) | — | (8,089) |
| Effect of changes in foreign exchange rates | — | — | 26,439 | — | 26,439 |
| Interest expense | — | 1,285 | 87,659 | — | 88,944 |
| Changes in fair value | — | — | (2,878) | — | (2,878) |
| Equity related | — | — | — | 4,634 | 4,634 |
| At the end of the year | 72,072 | 440 | 1,144,352 | — | 1,216,864 |

### 25 Financial instruments

#### Financial instruments classification

A description of each category of financial assets and financial liabilities and the related accounting policies can be found in note 3. The carrying amounts of the Group's financial assets and liabilities in each category are as follows:

| Financial assets—2019 | Derivatives used for hedging £000 | FVTPL £000 | Amortised cost £000 | FVTOCI £000 | Total £000 |
|---|---|---|---|---|---|
| **Unlisted investments** | **—** | **—** | **—** | **271** | **271** |
| **UCIS assets** | **—** | **36** | **—** | **—** | **36** |
| **Trade receivables excluding prepayments** | **—** | **—** | **74,542** | **—** | **74,542** |
| **Other receivables** | **—** | **32,133** | **41,908** | **—** | **74,041** |
| **Cash and cash equivalents** | **—** | **—** | **410,903** | **—** | **410,903** |
| **Derivatives** | **6,241** | **—** | **—** | **—** | **6,241** |
| **At 31 December 2019** | **6,241** | **32,169** | **527,353** | **271** | **566,034** |

| Financial assets—2018 | Derivatives used for hedging £000 | FVTPL £000 | Amortised cost £000 | FVTOCI £000 | Total £000 |
|---|---|---|---|---|---|
| Unlisted investments | — | — | — | 271 | 271 |
| UCIS assets | — | 42 | — | — | 42 |
| Trade receivables excluding prepayments | — | — | 173,208 | — | 173,208 |
| Other receivables | — | 36,603 | 36,585 | — | 73,188 |
| Cash and cash equivalents | — | — | 504,956 | — | 504,956 |
| Derivatives | 4,478 | — | — | — | 4,478 |
| At 31 December 2018 | 4,478 | 36,645 | 714,749 | 271 | 756,143 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Cont.)

**25 Financial instruments** (Cont.)

**Financial instruments classification** (Cont.)

| Financial liabilities—2019 | FVTPL £000 | Amortised cost £000 | Derivatives used for hedging £000 | Total £000 |
|---|---|---|---|---|
| **Borrowings** | **—** | **(1,135,838)** | **—** | **(1,135,838)** |
| **Trade and other payables, excluding deferred income** | **—** | **(344,789)** | **—** | **(344,789)** |
| **Contingent consideration** | **(3,167)** | **—** | **—** | **(3,167)** |
| **Deferred proceeds** | **(15,000)** | **—** | **—** | **(15,000)** |
| **Derivative liabilities** | **—** | **—** | **(21,700)** | **(21,700)** |
| **At 31 December 2019** | **(18,167)** | **(1,480,627)** | **(21,700)** | **(1,520,494)** |

| Financial liabilities—2018 | FVTPL £000 | Amortised cost £000 | Derivatives used for hedging £000 | Total £000 |
|---|---|---|---|---|
| Borrowings | — | (1,144,352) | — | (1,144,352) |
| Trade and other payables, excluding deferred income | — | (409,508) | — | (409,508) |
| Contingent consideration | (1,575) | — | — | (1,575) |
| Deferred proceeds | (16,750) | — | — | (16,750) |
| Derivative liabilities | — | — | (13,132) | (13,132) |
| At 31 December 2018 | (18,325) | (1,553,860) | (13,132) | (1,585,317) |

**Fair value measurement**

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly as prices, or indirectly derived from prices; and
- Level 3: unobservable inputs for the asset or liability.

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on an ongoing basis:

| 31 December 2019 | Level 1 £000 | Level 2 £000 | Level 3 £000 | Total £000 |
|---|---|---|---|---|
| **Financial assets at fair value through profit or loss** | | | | |
| **UCIS recovered assets** | **—** | **—** | **36** | **36** |
| **Trade and other receivables** | **—** | **—** | **32,412** | **32,412** |
| **Cross-currency swaps used in cash flow hedges** | **—** | **3,063** | **—** | **3,063** |
| **Forward contracts used in cash flow hedges** | | **3,178** | **—** | **3,178** |
| **Financial assets at fair value through other comprehensive income** | | | | |
| **Unlisted investments** | **—** | **—** | **271** | **271** |
| **Total financial assets at fair value** | **—** | **6,241** | **32,719** | **38,960** |
| **Contingent consideration payable** | **—** | **—** | **(3,167)** | **(3,167)** |
| **Deferred proceeds** | **—** | **—** | **(15,000)** | **(15,000)** |
| **Forward contracts used in cash flow hedges** | **—** | **(289)** | **—** | **(289)** |
| **Cross-currency swaps used in cash flow hedges** | **—** | **(21,411)** | **—** | **(21,411)** |
| **Total financial liabilities at fair value through profit or loss** | **—** | **(21,700)** | **(18,167)** | **(39,867)** |
| **Net fair value at 31 December 2019** | **—** | **(15,459)** | **14,552** | **(907)** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 25 Financial instruments (Cont.)

**Fair value measurement** (Cont.)

| 31 December 2018 | Level 1 £000 | Level 2 £000 | Level 3 £000 | Total £000 |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss | | | | |
| UCIS recovered assets | — | — | 42 | 42 |
| Trade and other receivables | — | — | 36,603 | 36,603 |
| Cross-currency swaps used in cash flow hedges | — | 4,478 | — | 4,478 |
| Financial assets at fair value through other comprehensive income | | | | |
| Unlisted investments | — | — | 271 | 271 |
| Total financial assets at fair value | — | 4,478 | 36,916 | 41,394 |
| Contingent consideration payable | — | — | (1,575) | (1,575) |
| Deferred proceeds | — | — | (16,750) | (16,750) |
| Forward contracts used in cash flow hedges | — | (4,330) | — | (4,330) |
| Cross-currency swaps used in cash flow hedges | — | (8,802) | — | (8,802) |
| Total financial liabilities at fair value through profit or loss | — | (13,132) | (18,325) | (31,457) |
| Net fair value at 31 December 2018 | — | (8,654) | 18,591 | 9,937 |

There were no transfers between Levels 1, 2 and 3 in 2019 or 2018.

The following valuation techniques are used for instruments categorised in Levels 2 and 3:

**Derivative financial instruments (Level 2)**

The Group's cross-currency swaps and forward contracts are categorised within level 2 of the fair value hierarchy. These contracts are not traded in an active market, but the fair value is determined using valuation techniques using available market data, such as forward exchange rates corresponding to the maturity of the contract observable at the statement of financial position date and an appropriate sector credit spread.

**UCIS recovered assets (Level 3)**

The UCIS recovered assets are held at their fair value and are categorised within level 3 of the fair value hierarchy. Where no professional valuation is available, they are recognised at their published net asset value with an appropriate adjustment applied to the published unit price to reflect their illiquid nature and potentially lower net realisable value.

**Trade and other receivables/contingent consideration receivable (Level 3)**

Trade and other receivables include £0.3m at fair value in respect of contingent consideration receivable on the sale of URIS Group's claims business in 2018. This is categorised within level 3 of the fair value hierarchy with the valuation based on management's best estimate of the probability of the successful completion of the requirements set out in the sale and purchase agreement.

Also included in trade and other receivables at 31 December 2019 were assets at fair value through profit or loss that were recognised on a business combination in relation to the Group's right to variable consideration on rolling contracts with customers for which the performance obligation was satisfied prior to the acquisition. The fair value is a level 3 valuation and is calculated as the present value of future cash flows where those cash flows take into account expected cancellation rates and the life of the underlying insurance product.

**Contingent consideration payable and deferred proceeds (Level 3)**

Trade and other payables include £18.2m (31 December 2018: £18.3m) which are measured as financial liabilities at fair value through profit or loss. As at 31 December 2019 the liabilities relate to performance related contingent consideration amounts on the acquisition of Healthy Pets Limited made in 2017, the acquisition of an associate interest in Sino Insurance Brokers Limited in 2019 and the sale of the Group's 19.9% interest in Bravo (deferred proceeds) (note 18). They are categorised within level 3 of the fair value hierarchy.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 25 Financial instruments (Cont.)

**Fair value measurement** (Cont.)

**Contingent consideration payable and deferred proceeds (Level 3)** (Cont.)

Techniques such as estimated discounted cash flows were used to determine their fair value in line with the calculation specified in the purchase agreement. Financial liabilities in respect of contingent consideration will only be written back if the Group receives confirmation from the vendor that there is no liability outstanding.

**Unlisted investments at fair value through other comprehensive income (Level 3)**

Unlisted investments are categorised within level 3 of the fair value hierarchy. The valuation technique applied is cost less any provision for impairment.

**Reconciliation of recurring fair value measurements within level 3**

The table below provides a schedule of movements in the carrying amount in the statement of financial position of financial assets with recurring fair value measurements within level 3:

| | Financial liabilities at FVTPL £000 | Financial assets at FVTPL £000 | Financial assets at FVTOCI £000 | Total £000 |
|---|---|---|---|---|
| As at 1 January 2019 | **(18,325)** | **36,645** | **271** | **18,591** |
| Gains and losses | **587** | **15,376** | **—** | **15,963** |
| Acquisition of companies | **(2,141)** | **—** | **—** | **(2,141)** |
| Settlements | **1,712** | **(19,573)** | **—** | **(17,861)** |
| **At 31 December 2019** | **(18,167)** | **32,448** | **271** | **14,552** |

| | Financial liabilities at FVTPL £000 | Financial assets at FVTPL £000 | Financial assets at FVTOCI £000 | Total £000 |
|---|---|---|---|---|
| As at 1 January 2018 | (3,088) | 12,437 | 268 | 9,617 |
| Additions | — | — | 3 | 3 |
| Gains and losses | (182) | 18 | — | (164) |
| Acquisition of companies | (5,615) | 35,651 | — | 30,036 |
| Disposals | (16,750) | 952 | — | (15,798) |
| Settlements | 7,310 | (12,413) | — | (5,103) |
| At 31 December 2018 | (18,325) | 36,645 | 271 | 18,591 |

Gains and losses on the above instruments are recognised within other operating costs and other income.

As part of the UCIS redress process the Group was able to acquire, in some cases, illiquid assets held by claimants. These assets are classified as FVTPL and the Group intends to realise their cash value as soon as it is feasible to do so. The Group has designated all of its unlisted equity investments as FVTOCI because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. Dividends recognised in respect of the unlisted equity investments in the period amounted to £nil (2018: £nil).

As at 31 December 2019, trade and other receivables include a £32.2m (2018: £35.7m) asset classified at FVTPL that was recognised on a business combination in relation to the Group's right to variable consideration on rolling contracts with customers for which the performance obligation was satisfied prior to the acquisition date.

**Financial instruments risk**

The Group is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk. As part of its overall governance and control arrangements, the Group operates a risk management framework (RMF) designed to identify, assess, manage, monitor and report on these risks.

The Group does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed are described below.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Cont.)

**25 Financial instruments** (Cont.)

## Market risk analysis

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk resulting from its operating activities.

## Foreign currency risk

The Group's main exposure to foreign currency risk arises from: (1) its USD Notes, and (2) the settlement in foreign currency, principally US Dollars, of brokerage and fees relating to the placement of insurance business originating overseas.

The Group uses a combination of cross-currency swaps and forward contracts to manage foreign currency risk.

The objective of the Group's cross-currency swaps is to mitigate exposure to foreign currency risk on its USD Notes. The Group receives a USD coupon matching its interest obligations under the USD Notes, and pays a fixed GBP coupon at specified half-yearly intervals (January and July) until the maturity of the swap in July 2021.

The Group enters forward contracts to mitigate the exposure resulting from USD revenue arising on the placement of premiums denominated in USD, which is not the presentation nor functional currency of the Group.

Based on forecast transactions, the Group effectively sells USD revenue by reference to individual brokerage transactions.

For further information on hedge accounting please refer to note 26 Hedge accounting.

## Interest rate risk

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. Long-term borrowings are therefore usually at fixed rates. The Group had £553.3m of 8.375% GBP Notes and USD755.0m of 8.625% USD Notes at 31 December 2019 (see note 29).

The Group is exposed to changes in market interest rates through the secured revolving credit facility borrowings at variable interest rates. However, as at 31 December 2019 these borrowings were currently undrawn, so increases and decreases in the current interest rate would not therefore result in changes to the total annual interest of the Group.

## Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk as it has a significant amount of trade receivables due from policyholders and from insurance companies with which it places insurance. However, most of the credit risk with policyholders is mitigated by the Group's ability to cancel the underlying policies and recoup a portion of the amount from insurers.

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at 31 December, as summarised below:

| | **31 December 2019 £000** | **31 December 2018 £000** |
|---|---|---|
| Cash and cash equivalents | **410,903** | 504,956 |
| Trade and other receivables excluding prepayments | **150,965** | 246,396 |
| Contract assets | **11,509** | 12,594 |
| Financial assets at FVTPL | **36** | 42 |
| | **573,413** | 763,988 |

Counterparty balances are monitored as part of the credit control process. Significant balances are actively managed through the Group's ongoing strategic insurer relationship programme.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Cont.)

**25 Financial instruments** (Cont.)

**Credit risk analysis** (Cont.)

The Group had certain trade receivables at 31 December 2019 that had not been settled by the contractual due date but that were not considered to be impaired.

The credit risk for cash and cash equivalents, money market funds and derivative financial instruments is considered negligible as the counterparties are reputable financial institutions with high quality external credit ratings. The Group does not hold any collateral as security.

**Expected credit losses**

The estimated ECL for the current year were calculated based on actual credit loss experience over two years by division. Actual credit loss experience is, where appropriate, adjusted by scalar factors to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. The scalar factors are based on GDP and unemployment rate forecasts (source: HM Treasury 'Forecasts for the UK Economy') and include the following:

- GDP: A 16.67% decrease in the growth in GDP is expected, from 1.35% in 2019 to 1.13% in 2020, which indicates that historical credit loss experience should be increased (2018: a 23.53% increase in the growth in GDP was expected, from 1.28% in 2018 to 1.58% in 2019, which indicated that historical credit loss experience should be decreased); and
- Unemployment rate: A 4.46% increase in unemployment rates is expected, from 3.93% in 2019 to 4.1% in 2020, which indicates that historical credit loss experience should be increased (2018: a 0.62% increase in unemployment rates was expected, from 4.05% in 2018 to 4.08% in 2019, which indicated that historical credit loss experience should be increased).

The net impact of the above scalar factors is to indicate that historical credit loss experience should be increased (2018: decreased). Historical credit loss experience was, where appropriate, therefore increased (2018: was not therefore changed as it is only increased as a result of considering scalar factors, not decreased, as it is assumed that the ECL model results in a higher and not lower provision for losses than the historical credit loss model).

ECL is measured on the basis that the counterparties are a single group and the calculation is not further distinguished between the Group's different customer types.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9:

| | Not credit impaired | | | |
|---|---|---|---|---|
| **Lifetime ECL** | **Collectively assessed £000** | **Individually assessed £000** | **Credit impaired £000** | **Total £000** |
| **Balance at 1 January 2019** | (5,603) | (2,342) | (48) | (7,993) |
| Amounts written off | 3,360 | 8,315 | — | 11,675 |
| Amounts recovered | 298 | (14) | — | 284 |
| Change in loss allowance due to new trade receivables net of those derecognised for settlement | (6,324) | (8,425) | — | (14,749) |
| Acquisition of companies | (12) | 6 | — | (6) |
| **Balance at 31 December 2019** | **(8,281)** | **(2,460)** | **(48)** | **(10,789)** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 25 Financial instruments (Cont.)

#### Expected credit losses (Cont.)

| Lifetime ECL | Not credit impaired: Collectively assessed £000 | Not credit impaired: Individually assessed £000 | Credit impaired £000 | Total £000 |
|---|---|---|---|---|
| Balance at 1 January 2018 | (3,239) | (1,734) | — | (4,973) |
| Adjustment to transition to IFRS 9 | (239) | — | — | (239) |
| Net remeasured ECL at 1 January 2018 | (3,478) | (1,734) | — | (5,212) |
| Amounts written off | 3,816 | 178 | — | 3,994 |
| Amounts recovered | 141 | — | — | 141 |
| Change in loss allowance due to new trade receivables net of those derecognised for settlement | (4,532) | (622) | — | (5,154) |
| Foreign exchange gains and losses | — | (164) | — | (164) |
| Changes in credit risk parameters | 116 | — | — | 116 |
| Acquisition of companies | (1,666) | — | (48) | (1,714) |
| Balance at 31 December 2018 | (5,603) | (2,342) | (48) | (7,993) |

The net expected credit losses recognised for trade receivables have been included in the statement of profit or loss as a separate line item.

The following table sets out details of the age of trade receivables that are not overdue as well as an analysis of overdue amounts impaired and ECL recognised at 31 December 2019:

| | Expected credit loss rate % | Estimated total gross carrying amount at default £000 | Lifetime ECL £000 | Total £000 |
|---|---|---|---|---|
| **Not past due** | **—** | **27,247** | **(193)** | **27,054** |
| **Past due:** | | | | |
| - not more than three months | **(0.1)** | **39,135** | **(2,222)** | **36,913** |
| - more than three months but not more than six months | **(0.1)** | **6,399** | **(520)** | **5,879** |
| - more than six months but not more than a year | **(0.1)** | **4,615** | **(645)** | **3,970** |
| - more than a year | **(0.9)** | **7,935** | **(7,209)** | **726** |
| **At 31 December 2019** | **(0.1)** | **85,331** | **(10,789)** | **74,542** |

The following table sets out details of the age of trade receivables that are not overdue as well as an analysis of overdue amounts impaired and ECL recognised at 31 December 2018:

| | Expected credit loss rate % | Estimated total gross carrying amount at default £000 | Lifetime ECL £000 | Total £000 |
|---|---|---|---|---|
| Not past due | (0.5) | 40,637 | (440) | 40,197 |
| Past due: | | | | |
| - not more than three months | (3.5) | 31,215 | (1,912) | 29,303 |
| - more than three months but not more than six months | (4.0) | 2,345 | (466) | 1,879 |
| - more than six months but not more than a year | (6.9) | 5,432 | (710) | 4,722 |
| - more than a year | (43.2) | 10,324 | (4,465) | 5,859 |
| At 31 December 2018 | (4.4) | 89,953 | (7,993) | 81,960 |

#### Liquidity risk analysis

Liquidity risk is the risk that the Group might be unable to meet its obligations.

The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecasting cash inflows and outflows due in day-to-day business. The Group is cash

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Cont.)

**25 Financial instruments** (Cont.)

**Liquidity risk analysis** (Cont.)

generative and has an active cash management process. The Group Treasury function undertakes short term cash flow forecasting and closely monitors and manages the Group's cash balances. Immediate liquidity is available from the RCF (note 35) should any short-term financing be required. Drawings permissible under the RCF are limited by the Group's credit facility arrangements, which take into account the arrangements that are in place to address ETV liabilities. The RCF facility had not been utilised as at 31 December 2019.

The following are the remaining undiscounted contractual maturities (excluding interest payments) of non-derivative financial liabilities at the reporting date, except for lease liabilities (see note 15). Information about derivative financial liabilities is given in note 26 Hedge accounting.

| 31 December 2019 | Carrying amount £000 | Undiscounted amount £000 | Within 12 months £000 | Within 1-2 years £000 | Within 2-5 years £000 | More than 5 years £000 |
|---|---|---|---|---|---|---|
| Senior secured notes | **1,091,689** | **1,125,920** | **—** | **—** | **1,125,920** | **—** |
| Senior secured loans and other borrowings | **—** | **—** | **—** | **—** | **—** | **—** |
| Premium financing liabilities | **4,341** | **4,341** | **4,341** | **—** | **—** | **—** |
| Trade and other payables | **439,443** | **439,443** | **428,287** | **11,156** | **—** | **—** |
| **At 31 December 2019** | **1,535,473** | **1,569,704** | **432,628** | **11,156** | **1,125,920** | **—** |

| 31 December 2018 | Carrying amount £000 | Undiscounted amount £000 | Within 12 months £000 | Within 1-2 years £000 | Within 2-5 years £000 | More than 5 years £000 |
|---|---|---|---|---|---|---|
| Senior secured notes | 1,102,073 | 1,145,782 | — | — | 1,145,782 | — |
| Senior secured loans and other borrowings | 3,006 | 3,006 | 3,006 | — | — | — |
| Premium financing liabilities | 72,072 | 72,072 | 67,731 | 4,341 | — | — |
| Trade and other payables | 538,865 | 538,865 | 517,442 | 10,267 | 11,156 | — |
| At 31 December 2018 | 1,716,016 | 1,759,725 | 588,179 | 14,608 | 1,156,938 | — |

**26 Hedge accounting**

See note 25 with respect to the Group's exposure to foreign currency risk and how the Group mitigates that risk. Further details are provided below.

**Derivatives**

The Group has economic hedge relationships that mitigate foreign exchange risk arising from its USD Notes and USD revenue. It applies hedge accounting for those hedge relationships that meet the hedge accounting criteria detailed in note 3. The Group manages all other risks associated with these exposures, such as credit risk, but it does not apply hedge accounting for those risks.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 26 Hedge accounting (Cont.)

**Derivatives** (Cont.)

Derivatives are only used for hedging purposes. The Group has the following derivative financial instruments as at the end of the period:

| | 31 December 2019 £000 | 31 December 2018 £000 |
|---|---|---|
| **Non-current assets** | | |
| Forward contracts - cash flow hedges | **1,635** | — |
| Cross-currency swaps - cash flow hedges | **74** | 1,549 |
| **Current assets** | | |
| Forward contracts - cash flow hedges | **1,543** | — |
| Cross-currency swaps - cash flow hedges | **2,989** | 2,929 |
| **Current liabilities** | | |
| Forward contracts - cash flow hedges | **—** | (3,081) |
| Cross-currency swaps - cash flow hedges | **(1,970)** | (448) |
| **Non-current liabilities** | | |
| Forward contracts - cash flow hedges | **(289)** | (1,249) |
| Cross-currency swaps - cash flow hedges | **(19,441)** | (8,354) |
| **Net derivative financial instrument liabilities** | **(15,459)** | (8,654) |

See note 25 for information on fair values and the assumptions and methods used to measure fair value.

**Cross-currency swaps**

The Group issues foreign currency fixed rate notes for funding purposes. In accordance with its risk management strategy, the Group enters into cross currency swap contracts to mitigate 100% of the risk of fluctuation of coupon and principal cash flows due to changes in foreign currency rates of issued foreign currency debt. These instruments are entered into to match the maturity profile of estimated repayments of the Group's debt. The Group receives a USD coupon matching its interest obligations under the USD Notes, and it pays a fixed GBP coupon at specified half-yearly intervals (January and July).

The Group has designated the cross-currency swaps as cash flow hedge relationships to hedge against movements in USD.

Cross-currency swaps in place at 31 December 2019 covered 100% of the principal USD Notes outstanding and related interest obligations. The fixed interest rates of the swaps range between 7.3% and 9.2%.

Foreign exchange gains and losses on the Group's debt that arise between the timing of the receipt of the debt proceeds and placement and/or designation of the swap instruments have been included as unrealised gains/losses in the period and recorded in finance costs in profit or loss.

**Forward contracts**

The Group enters into forward contracts to mitigate the exposure resulting from USD revenue arising on the placement of premiums denominated in USD, which is not the presentation currency nor functional currency of the Group.

Based on forecast transactions, the Group effectively sells accumulated USD revenue by reference to individual brokerage transactions. The Group's track record in receiving USD revenue from long established clients provides a high degree of confidence that forecast transactions are highly probable for hedge accounting purposes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 26 Hedge accounting (Cont.)

**Cash flow hedging reserves**

The following table provides a reconciliation of components of equity resulting from applying cash flow hedge accounting to derivatives that mitigate foreign exchange risk:

| 31 December 2019 | Cash flow hedging reserve £000 | Cost of hedging reserve £000 |
|---|---|---|
| **At 1 January 2019** | **(8,411)** | **2,465** |
| **Changes in fair value recognised via other comprehensive income** | | |
| **Cross-currency swaps** | **(7,857)** | **(2,297)** |
| **Forward contracts** | **3,735** | **—** |
| **Amounts reclassified to profit or loss** | | |
| **Cross-currency swaps** | **14,970** | **144** |
| **Forward contracts** | **645** | **—** |
| | **11,493** | **(2,153)** |
| **Tax on movements on reserves** | **(1,954)** | **366** |
| **At 31 December 2019** | **(1,128)** | **678** |

| 31 December 2018 | Cash flow hedging reserve £000 | Cost of hedging reserve £000 |
|---|---|---|
| At 1 January 2018 | (10,165) | 1,709 |
| Changes in fair value recognised via other comprehensive income | | |
| Cross-currency swaps | 28,845 | 1,082 |
| Forward contracts | (2,511) | — |
| Amounts reclassified to profit or loss | | |
| Cross-currency swaps | (23,495) | 179 |
| Forward contracts | (318) | — |
| | 2,521 | 1,261 |
| Tax on movements on reserves | (654) | (505) |
| Reclassification of reserves | (113) | — |
| At 31 December 2018 | (8,411) | 2,465 |

The gain/(loss) included in the income statement during the period ending 31 December 2019 in relation to items designated as hedging instruments, including hedge ineffectiveness, were as follows:

| 31 December 2019 | Cross-currency swaps £000 | Forward contracts £000 |
|---|---|---|
| **Amounts reclassified from other comprehensive income to profit or loss** | | |
| Commission and fees | **—** | **(694)** |
| Other operating costs | **—** | **49** |
| Finance costs | **(15,114)** | **—** |
| **Hedge ineffectiveness** | | |
| Other operating costs | **—** | **(2)** |
| Finance costs | **(282)** | **—** |
| | **(15,396)** | **(647)** |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Cont.)

**26 Hedge accounting** (Cont.)

**Cash flow hedging reserves** (Cont.)

| **31 December 2018** | **Cross currency swaps £000** | **Forward contracts £000** |
|---|---|---|
| Amounts reclassified from other comprehensive income to profit or loss | | |
| Commission and fees | — | 318 |
| Finance costs | 23,316 | — |
| Hedge ineffectiveness | | |
| Other operating costs | — | (152) |
| | 23,316 | 166 |

The following table indicates the periods in which the undiscounted cash flows associated with the hedging instruments are expected to occur and the carrying amount of these hedging instruments:

| **31 December 2019** | **Carrying amount £000** | **Total £000** | **One to six months £000** | **Six to twelve months £000** | **One to two years £000** | **More than two years £000** |
|---|---|---|---|---|---|---|
| **Cross-currency swaps** | | | | | | |
| Net liabilities | **(18,348)** | **(23,055)** | **1,048** | **(472)** | **(23,631)** | **—** |
| **Forward contracts** | | | | | | |
| Net assets | **2,888** | **3,668** | **837** | **1,106** | **1,725** | **—** |
| | **(15,460)** | **(19,387)** | **1,885** | **634** | **(21,906)** | **—** |

| **31 December 2018** | **Carrying amount £000** | **Total £000** | **One to six months £000** | **Six to twelve months £000** | **One to two years £000** | **More than one year £000** |
|---|---|---|---|---|---|---|
| Cross-currency swaps | | | | | | |
| Net liabilities | (4,324) | (8,627) | 244 | 1,787 | 2,510 | (13,169) |
| Forward contracts | | | | | | |
| Net liabilities | (4,330) | (4,530) | (2,445) | (660) | (515) | (910) |
| | (8,654) | (13,157) | (2,201) | 1,127 | 1,995 | (14,079) |

A 10% strengthening (weakening) of the GBP against the USD at the reporting date would have the following effect on the value of the hedging instruments which also impacts the Group's equity:

| | **31 December 2019 £000** | **31 December 2018 £000** |
|---|---|---|
| **Cross-currency swaps** | | |
| 10% strengthening | **(56,515)** | (57,723) |
| 10% weakening | **71,729** | 72,277 |
| **Forward contracts** | | |
| 10% strengthening | **14,104** | 14,081 |
| 10% weakening | **(17,238)** | (17,210) |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Cont.)

## 27 Trade and other payables

| | 31 December 2019 £000 | 31 December 2018 £000 |
|---|---|---|
| Insurance creditors | **312,201** | 387,593 |
| Social security and other taxes | **10,906** | 12,922 |
| Other creditors | **32,588** | 22,345 |
| Contingent consideration payable | **1,062** | 1,353 |
| Deferred proceeds | **15,000** | — |
| Deferred income | **377** | 430 |
| Accruals | **56,153** | 92,799 |
| **Total current liabilities** | **428,287** | 517,442 |
| Contingent consideration payable | **2,105** | 222 |
| Deferred proceeds | **—** | 16,750 |
| Other financial liabilities | **30** | 30 |
| Other creditors | **9,021** | 4,421 |
| **Total non-current liabilities** | **11,156** | 21,423 |

Insurance creditors include an amount of £5.9m which provides for the estimated losses recoverable by the insurer for net premiums earned to date on those schemes with loss corridor arrangements. The estimated adjustment to revenue relating to the loss corridor that was recognised in 2019 on policies incepted prior to 2019 amounts to £0.2m (in debit). This is due to re-estimation of amounts previously recognised.

The Directors consider the carrying amount of trade payables approximates to their fair value.

## 28 Premium financing liabilities

The premium financing liability comprises amounts payable to a third party financial institution. The Group, via its subsidiary Swinton Group Limited, entered into an arrangement with that institution on 31 December 2018 to receive cash, in exchange for which the Swinton Group Limited will transfer to that party the future receipts from customers associated with its premium financing receivables balance up to the amount of cash received plus interest.

Swinton Group Limited remains liable in the event of customer default, although in practice it is expected that any credit loss will be partially mitigated by premiums recouped from insurers except possibly in the event of an insurer insolvency. The Group continues to recognise the transferred receivables.

The premium financing liability is classified as a current liability as the underlying insurance policies are for a 12-month term. The premium financing liability is expected to be minimal after 30 April 2020 as the arrangement is an interim one and was in place for new insurance policies sold in the first 4 months of 2019, after which time the financial institution started to provide financing to the customer directly.

| | 31 December 2019 £000 | 31 December 2018 £000 |
|---|---|---|
| **Total premium financing liabilities** | **4,341** | 72,072 |

## 29 Borrowings

| | 31 December 2019 £000 | 31 December 2018 £000 |
|---|---|---|
| Finance lease liabilities | **—** | 2 |
| Interest payable | **44,149** | 39,271 |
| Secured loan and other borrowings | **—** | 622 |
| **Total current borrowings** | **44,149** | 39,895 |
| Senior Secured Notes | **1,091,689** | 1,102,073 |
| Secured loan facility | **—** | 2,384 |
| **Total non-current borrowings** | **1,091,689** | 1,104,457 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 29 Borrowings (Cont.)

Senior secured notes comprise the following (excluding interest payable):

| | | | | 31 December 2019 | | 31 December 2018 | |
|---|---|---|---|---|---|---|---|
| Date Issued | Currency | Nominal interest rate | Year of maturity | Face value USD/£000 | Carrying amount £000 | Face value USD/£000 | Carrying amount £000 |
| 26.06.2017 | GBP | 8.375% | 2023 | **400,000** | **393,081** | 400,000 | 391,492 |
| 26.06.2017 | USD | 8.625% | 2023 | **520,000** | **387,941** | 520,000 | 399,750 |
| 20.12.2017 | GBP | 8.375% | 2023 | **55,000** | **53,940** | 55,000 | 53,696 |
| 18.11.2018 | USD | 8.629% | 2023 | **235,000** | **159,000** | 235,000 | 159,543 |
| 08.06.2018 | GBP | 8.375% | 2023 | **98,300** | **97,727** | 98,300 | 97,592 |
| **Total** | | | | **1,308,300** | **1,091,689** | 1,308,300 | 1,102,073 |

Interest is payable on these notes in January and July of each year.

The Group hedges its foreign currency exposure from the senior secured notes as described in note 26.

The fair value of the senior secured notes as at 31 December 2019 and 2018, which is categorised within level 2 of the fair value hierarchy and is given for disclosure purposes only, is estimated as follows:

| | Carrying amount £000 | Fair value £000 |
|---|---|---|
| **Senior Secured Notes at 31 December 2019** | **1,091,689** | **1,117,571** |
| Senior Secured Notes at 31 December 2018 | 1,102,073 | 966,964 |

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 (ETV) products. See note 31 for further information relating to ETV redress liabilities.

With effect from 1 December 2019, the contractual limitation on the amount that may be utilised of the Group's RCF was removed. The RCF facility capacity was £120m and had not been drawn at 31 December 2019 (31 December 2018: nil). At the date of this report, the Group's RCF committed facility had been extended to £170m, of which £70m was drawn. Permissible RCF drawings are limited by the Group's credit facility basket.

### 30 Current tax and deferred tax

| | 31 December 2019 £000 | 31 December 2018 £000 |
|---|---|---|
| **Corporation tax (payable)/receivable** | **(130)** | 565 |
| | **(130)** | 565 |

The movement in deferred tax balances during the year is as follows:

| 31 December 2019—Temporary difference | Net balance at 1 January £000 | Recognised in profit or loss £000 | Recognised in OCI £000 | Acquired in business combination £000 | Other movements £000 | Net balance at 31 December £000 | Deferred tax assets £000 | Deferred tax liabilities £000 |
|---|---|---|---|---|---|---|---|---|
| **Property, plant and equipment** | **21,951** | **3,665** | **—** | **—** | **—** | **25,616** | **27,658** | **(2,042)** |
| **Tax losses** | **10,477** | **13,401** | **—** | **—** | **—** | **23,878** | **23,878** | **—** |
| **Interest restriction** | **21,933** | **519** | **—** | **—** | **—** | **22,452** | **22,452** | **—** |
| **Derivatives** | **1,267** | **—** | **(1,588)** | **—** | **—** | **(321)** | **—** | **(321)** |
| **Intangible assets** | **(61,205)** | **10,029** | **—** | **(4,301)** | **—** | **(55,477)** | **—** | **(55,477)** |
| **Other** | **4,559** | **1,980** | **—** | **—** | **—** | **6,539** | **6,560** | **(21)** |
| | **(1,018)** | **29,594** | **(1,588)** | **(4,301)** | **—** | **22,687** | **80,548** | **(57,861)** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 30 Current tax and deferred tax (Cont.)

| 31 December 2018 restated— Temporary difference | Net balance at 1 January £000 | Recognised in profit or loss £000 | Recognised in OCI £000 | Acquired in business combination £000 | Other movements £000 | Net balance at 31 December £000 | Deferred tax assets £000 | Deferred tax liabilities £000 |
|---|---|---|---|---|---|---|---|---|
| Property, plant and equipment | 15,253 | 3,682 | — | 3,305 | (289) | 21,951 | 21,951 | — |
| Tax losses | 9,568 | 5,903 | — | — | (4,993) | 10,477 | 10,477 | — |
| Interest restriction | 10,876 | 11,057 | — | — | — | 21,933 | 21,933 | — |
| Derivatives | 2,426 | — | (1,159) | — | — | 1,267 | 1,267 | — |
| Intangible assets | (71,475) | 12,152 | — | (6,205) | 4,323 | (61,205) | — | (61,205) |
| IFRS 15 adjustment | (3,877) | — | — | — | 3,877 | — | — | — |
| Other | 901 | 3,658 | — | — | — | 4,559 | 4,559 | — |
| | (36,328) | 36,452 | (1,159) | (2,900) | 2,918 | (1,018) | 60,187 | (61,205) |

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable based on the profit forecasts for the Group.

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 £2.9m higher.

The Group did not recognise deferred income tax assets of £18.7m (2018: £30.0m) in respect of deductible temporary differences.

| | 31 December 2019 £000 | Restated* 31 December 2018 £000 |
|---|---|---|
| Fixed assets | **1,842** | 1,352 |
| General provisions | **553** | 534 |
| Tax losses | **16,303** | 28,143 |
| **Unrecognised deferred tax assets** | **18,698** | 30,029 |

* The Group has recognised a deferred tax asset in its consolidated financial statements in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. A deferred tax asset is recognised on the basis that future taxable profits will arise in the consolidated financial statements as a result of the unwind of the deferred tax liability that was already included in those financial statements in relation to intangible assets recognised on a business combination. The adjustment increases deferred tax assets and decreases retained losses in the statement of financial position by £32.4m as at 31 December 2018 (1 January 2018: £23.5m), and it increases the tax credit in the income statement for the year ended 31 December 2018 by £8.9m.

The Group had carried forward unrecognised tax losses of £95.9m (2018: £165.5m).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Cont.)

**31 Provisions**

The Group held the following provisions as at 31 December 2019:

| | ETV £000 | Run-off £000 | LTIP £000 | Litigation matters £000 |
|---|---|---|---|---|
| **At 1 January 2019** | **51,000** | **3,798** | **3,325** | **10,865** |
| **IFRS 16 transition adjustment** | **—** | **—** | **—** | **—** |
| **Reclassification** | **—** | **—** | **—** | **—** |
| **Additional provisions made during the year** | **12,500** | **955** | **1,239** | **4,161** |
| **Transferred in on acquisition** | **—** | **—** | **—** | **—** |
| **Transferred to other debtors/creditors** | **—** | **—** | **—** | **2,401** |
| **Utilised during the year** | **(15,928)** | **(2,484)** | **(4,173)** | **(8,067)** |
| **Unused amounts reversed during the year** | **—** | **—** | **(79)** | **(4,769)** |
| **Unwind of discount** | **—** | **—** | **—** | **—** |
| **At 31 December 2019** | **47,572** | **2,269** | **312** | **4,591** |

| | Future renewal scheme £000 | Property £000 | Branch closure £000 | Other £000 | Total £000 |
|---|---|---|---|---|---|
| **At 1 January 2019** | **—** | **11,499** | **5,239** | **1,375** | **87,101** |
| **IFRS 16 transition adjustment** | **—** | **(2,374)** | **(998)** | **—** | **(3,372)** |
| **Reclassification** | **—** | **(362)** | **(1,209)** | **1,571** | **—** |
| **Additional provisions made during the year** | **—** | **4,139** | **2,003** | **7,759** | **32,756** |
| **Transferred in on acquisition** | **13,528** | **—** | **—** | **—** | **13,528** |
| **Transferred to other debtors/creditors** | **(5,864)** | **—** | **—** | **—** | **(3,463)** |
| **Utilised during the year** | **—** | **(937)** | **(2,785)** | **(8,188)** | **(42,562)** |
| **Unused amounts reversed during the year** | **(283)** | **(1,415)** | **(1,686)** | **(687)** | **(46,375)** |
| **Unwind of discount** | **—** | **39** | **—** | **—** | **(8,919)** |
| **At 31 December 2019** | **7,381** | **10,589** | **564** | **1,830** | **75,108** |

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

| Analysis of total provisions | 31 December 2019 £000 | 31 December 2018 £000 |
|---|---|---|
| Non-current—to be utilised in more than one year | **14,457** | 31,740 |
| Current—to be utilised within one year | **60,651** | 55,361 |
| | **75,108** | 87,101 |

**Enhanced Transfer Values (ETV) and run off costs provision**

Certain subsidiaries within the Group have obligations to make redress payments in respect of past pension transfer advice. As reported in previous financial statements management established a provision initially of £51m for the estimated total cost of redress following progress with a client contact programme that enabled the ETV population to be refined, the FCA publishing revised guidance on the calculation of redress and commencement of file reviews. Management also explained they had obtained independent actuarial input into estimating average redress amounts and specialist input for a sample of cases to estimate suitability rates to help inform the estimated cost of redress. In view of the estimation uncertainty in key assumptions, including those for average redress costs and the suitability rate, management acknowledged and disclosed that the ultimate cost could vary materially from the £51m estimate, that the provision would be updated based on experience gained as the redress programme progressed and that the Group's 'going concern' assessment scenarios included up to a 40% deterioration in the quantum of the ETV liabilities as well as a possible acceleration of the settlement profile of the redress cases. At half year 2019 management explained the redress programme was expected to be substantially complete by the end of 2020.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 31 Provisions (Cont.)

**Enhanced Transfer Values (ETV) and run off costs provision** (Cont.)

The main redress programme commenced in the third quarter of 2019 and the estimate for the overall cost of redress was increased to £59m at 30 September 2019, of which £6.4m had been settled at that date leaving a residual provision of £52.6m. Further progress has been made since 30 September 2019 with £26.9m having been paid at the date of signing this report, of which £15.9m was paid by 31 December 2019. Based on this settlement experience, additional case reviews progressing to settlement and input from specialists, the total redress cost estimate has been updated to £63.5m, resulting in a provision of £47.6m at 31 December 2019 after allowing for the payments already made at that date (£38.5m after allowing for payments at the time of signing this report).

The £4.5m increase in total redress costs since the third quarter of 2019 mainly reflects experience-based adjustments impacting the number of cases requiring redress together with revisions for a small number of individuals opting back into the review process since payments commenced. Overall the experience to date remains broadly supportive of previous estimates of average redress costs per case, with continued uncertainty regarding the number of cases that will ultimately be found to require redress as a result of unsuitable advice. Other sources of uncertainty, whilst considered less material, may include changes in economic inputs over the period of the redress programme, potential variances in redress methodology and any future changes in the ETV population.

Management still expect the redress programme to be substantially complete by the end of 2020. Based on the progress made and reducing levels of estimation uncertainty, the Group now includes in its 'going concern' stress and sensitivity scenarios a deterioration of up to 15% (30 September 2019: 20%) in the estimated quantum of the ETV liabilities as well as a possible acceleration of the settlement profile. As the programme progresses, the results of case reviews will continue to be used to further inform and update the provision as required.

**Long-term incentive provision**

The Group has a number of long-term incentive schemes. The amounts that will ultimately vest are dependent on achievement against various performance measures (including Group EBITDA and individual contribution targets) and/or service conditions. The incentives are paid to participants at the end of the relevant performance and/or service period.

**General provision for litigation matters (including E&O claims)**

In the normal course of business, the Group may receive claims in respect of alleged errors and omissions and other matters. Provisions are made in respect of such litigation matters, representing the best estimate of the liability based on legal advice where appropriate. The outcome of the currently pending and future proceedings, in relation to errors and omissions and other matters, cannot be predicted with certainty. Thus, an adverse decision in a current or future lawsuit could result in additional costs that are not covered, either wholly or partially, under insurance policies and that are in excess of the presently established provisions.

**Property provision**

Onerous lease (£0.3m)
Provides for costs incurred on vacant properties, excluding rent costs (which are subject to lease accounting).

Dilapidations provision (£8.2m)
Provides for the estimated amounts payable for dilapidations on each property at the end of the lease term.

**Future renewal scheme**

The provision for the future renewal scheme has been recognised as part of the acquisition of Nevada Investment Holdings 2 Limited (note 16). It represents the estimated costs to be paid to appointed representatives that meet certain eligibility criteria under a contract termination scheme introduced by the acquiree and is based on the amount that would be receivable by each appointed representative in respect of their portfolio if they remain active as an appointed representative.

Amounts are paid to appointed representatives over a period of four years from when the eligibility criteria under the scheme are met and they cease to act as an appointed representative. The amount paid is dependent on factors such as the size of the portfolio of the appointed representative and the rate of renewal commission on the underlying policies.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Cont.)

**31 Provisions** (Cont.)

**Future renewal scheme** (Cont.)

When the retirement of an appointed representative is agreed, the related liability is transferred to other creditors (within trade and other payables).

**Branch closure**

Relates to a provision held by The Swinton Group for the cost of closing branches, excluding rent costs (which are subject to lease accounting).

**Other provision**

The other provision balance at 31 December 2019 includes:

- £0.7m restructuring provisions; and
- £1.0m for potential liabilities relating to legacy balances.

**32 Share capital and share premium**

| | Number of shares authorised (thousands) | Number of shares issued (thousands) | Ordinary shares £000 | Share premium £000 | Total £000 |
|---|---|---|---|---|---|
| **At 1 January 2019** | **880,000** | **682,495** | **6,826** | **674,391** | **681,217** |
| **At 31 December 2019** | **880,000** | **732,985** | **7,331** | **740,886** | **748,217** |
| At 1 January 2018 | 880,000 | 682,495 | 6,826 | 674,391 | 681,217 |
| At 31 December 2018 | 880,000 | 682,495 | 6,826 | 674,391 | 681,217 |

On 31 January 2019, the Group completed the acquisition of Nevada Investment Holdings 2 Limited and its subsidiaries (Nevada 2), a company registered in the Cayman Islands, from HPS and MDP who are the majority shareholders of the Group. The consideration for the acquisition was the issue by the Company of £67.0m principal amount of Convertible Equity Certificates (CECs) of £0.01 each. The Convertible Equity Certificates were converted to 50,489,826 ordinary shares in the Company on 1 May 2019. Nevada 2 was the indirect holding company of Minton House Group Limited, Health and Protection Solutions Limited and Professional Fee Protection Limited on 31 January 2019.

On 1 February 2019, the Company offered shareholders the opportunity to subscribe for their relevant equity proportion of up to £27.1m of CECs. The offer closed on 25 February 2019. No CECs were subscribed for other than those issued in connection with the acquisition of Nevada 2, noted above.

**33 Share-based payments**

**Equity-settled share-based payment schemes:**

The Group operates the ‘Ardonagh MIP’ and ‘Atlanta MIP’, which are equity-settled share-based payment schemes. The fair value of the services received in exchange for the grant of the shares is recognised as an expense, measured based on the grant date fair value of the shares and recognised on a straight-line basis over the vesting period. The amounts attributable in 2018 to services performed, to new joiners and to leavers was not material.

The Ardonagh MIP replaced the existing ‘Towergate MIP’ scheme during 2017. Shares in the Towergate MIP were converted to deferred shares and redeemed in consideration for shares in the Ardonagh MIP. The cancellation and issuance was treated as a modification to the original scheme. The revised fair value therefore takes into account the incremental fair value granted as at the modification date in addition to the grant date fair value of the original scheme.

The Ardonagh and Atlanta MIP shares have no dividend or voting rights and cannot be sold. Shares are granted in exchange for the nominal subscription price of £0.01 per share. They are convertible to ordinary shares of the Group on the occurrence of a crystallisation event, being the earlier of a liquidity event, an IPO and a winding-up. The Group has the option to repurchase Ardonagh and Atlanta MIP shares if an employee leaves the Group prior to the occurrence of a crystallisation event, for an amount that depends on whether the employee is a ‘good leaver’ or ‘bad leaver’.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Cont.)

**33 Share-based payments** (Cont.)

**Equity-settled share-based payment schemes** (Cont.)**:**

The number of shares held by employees or third parties under the Ardonagh MIP and Atlanta MIP are as follows:

| | Ardonagh MIP Number of shares | Atlanta MIP C shares Number of shares | Atlanta MIP D shares Number of shares |
|---|---|---|---|
| **Outstanding at 1 January 2019** | **99,712** | **102,000** | **59,250** |
| Granted during the year | **18,668** | **—** | **—** |
| Forfeited during the year | **(335)** | **(6,559)** | **(3,763)** |
| Bought back during the year | **(225)** | **—** | **—** |
| Outstanding at 31 December 2019 | **117,820** | **95,441** | **55,487** |

The grant date fair value of the scheme is calculated using a Black Scholes model, which includes discounts for the opportunity cost of equity and lack of control. The weighted-average fair value of shares granted during the period and the significant inputs used in the measurement of fair value were as follows:

| | Ardonagh MIP | | Atlanta MIP C shares | | Atlanta MIP D shares | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| **Weighted average fair value (per share)** | **£ 51.19** | **£17.10** | **n/a** | **£ 1.23** | **n/a** | **£ 1.40** |
| **Significant inputs:** | | | | | | |
| Equity value of issuing entity (£m) | **1,189.4** | **659.0** | **n/a** | **130.4** | **n/a** | **130.4** |
| Time discount | **15%** | **25%** | **n/a** | **35%** | **n/a** | **35%** |
| Volatility | **26%** | **25%** | **n/a** | **—** | **n/a** | **—** |

The total expense recognised for share-based payments is disclosed in note 9.

**Cash-settled share-based payment schemes:**

The Group operates cash-settled share-based payment schemes under which employees hold shares in some of the Group's subsidiaries that entitle them to put those shares back to the Group for a cash amount that is based on the value of the shares. The shares track the value of certain businesses in the Group within the Specialty & International operating segment. The fair value of the liability is estimated based on multiples of forecast Adjusted EBITDA of the businesses whose values the shares track.

The number of shares held by employees under these schemes are as follows:

| | Number of shares |
|---|---|
| **Outstanding at 1 January 2019** | **25,000** |
| **Granted during the year** | **25,000** |
| **Outstanding at 31 December 2019** | **50,000** |

The Group recognises a liability, measured at fair value as at the reporting date, for its obligation to settle these share-based payments in cash. In the year ending 31 December 2019, the Group recognised an employee expense and a liability amounting to £2.9m (2018: £nil). No portion of the liability is considered to be fully vested as at 31 December 2019.

**34 Contingent liabilities, assets and 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).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 34 Contingent liabilities, assets and commitments (Cont.)

**Guarantees** (Cont.)

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). See note 31 for further information relating to ETV redress liabilities. With effect from 1 December 2019, the contractual limitation on the amount that may be utilised of the Group's RCF was removed. As at 31 December 2019, the RCF facility capacity was £120m and undrawn. At the date of this report, the Group's RCF committed facility had been extended to £170m, of which £70m was drawn. Permissible RCF drawings are limited by the Group's credit facility basket.

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

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

Ardonagh Midco 3 plc (RCF Guarantor only)
Ardonagh Finco plc
Nevada Investment Holdings 5 Limited
Nevada Investment Holdings 6 Limited
Nevada Investment Holdings 7 Limited
Ardonagh Midco 2 plc
Nevada Investments Holdings Limited
PFIH Limited
Nevada InvestorCo Limited
Nevada Investments Topco Limited
Price Forbes Holdings Limited
Price Forbes & Partners Limited
Nevada Investments 1 Limited
Nevada Investments 2 Limited
Nevada Investments 3 Limited
Nevada Investments 4 Limited
Nevada Investments 5 Limited
Nevada Investments 6 Limited
Nevada Investments 7 Limited
Arista Insurance Limited
Bishopsgate Insurance Brokers Limited
Broker Network Holdings Limited
CCV Risk Solutions Limited
Cullum Capital Ventures Limited
Four Counties Insurance Brokers Limited
Geo Specialty Group Holdings Limited
Geo Underwriting Services Limited
Lunar 101 Limited
Morgan Law Limited
Paymentshield Group Holdings Limited
Paymentshield Holdings Limited
Paymentshield Limited
Paymentshield Services Limited
Ardonagh Services Limited
Towergate Risk Solutions Limited
Towergate Underwriting Group Limited
URIS Group Limited
URIS Central Administration Limited
Millennium Insurance Brokers Limited
URIS Topco Limited
Chase Templeton Group Limited
Chase Templeton Holdings Limited
Chase Templeton Limited
Ardonagh Advisory Holdings Limited
Ardonagh Specialty Holdings Limited
Swinton Group Limited
Swinton (Holdings) Limited
Swinton Properties Limited
Atlanta Investment Holdings Limited
Atlanta Investment Holdings A Limited
Atlanta 1 Insurance Services Limited
Carole Nash Insurance Consultants Limited
KDB Medicals Limited
Health and Protection Solutions Limited

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Cont.)

**34 Contingent liabilities, assets and commitments** (Cont.)

**Guarantees** (Cont.)

**Contractual obligations**

The following table summarises material commitments as of 31 December 2019 that are not recognised as a liability in the statement of financial position:

| | Less than one year £000 | One to five years £000 | More than five years £000 | Total £000 |
|---|---|---|---|---|
| Contractual commitments | 2,285 | — | — | 2,285 |
| | 2,285 | — | — | 2,285 |

The total contractual commitments in the above table relates to capital expenditure on intangible assets.

The Group has no contingent liabilities at 31 December 2019.

**35 Related party transactions**

**Bravo**

At 31 December 2017, the Group owned 19.9% of the voting shares in Bravo Investment Holdings Limited (Bravo) which had acquired The Broker Network Limited (Broker Network) and Countrywide Insurance Management Limited (Countrywide) from the Towergate Group in 2016.

In January 2018, the Group received £30.0m cash from Nevada 2, the ultimate parent company of Broker Network and Countrywide, in respect of the sale of its 19.9% shareholding in Bravo to Nevada 2. The cash received plus an additional £1.2m is subject to a contingent clawback clause dependent upon the future performance of the business. Nevada 2 was then a related party of the Ardonagh Group due to common shareholders, but Nevada 2 subsequently sold its shares in Bravo and its rights and obligations under the sale and purchase agreement to Nevada 4 Midco 1 Limited. Nevada 2 was then acquired by the Ardonagh Group on 31 January 2019, at which time Bravo was no longer a part of the Nevada 2 Group.

Following a 1 July 2019 amended agreement, the settlement date for the contingent clawback is a date between 19 January 2020 and 30 September 2020, at the election of Ardonagh, and settlement may be in cash or equity of the Company. A deferred proceeds liability of £15.0m (2018: £16.75m) in relation to this clawback mechanism is recognised by the Group at 31 December 2019 (note 27).

During 2019 the Group supplied services of £170,788 (2018: £182,177) to Bravo. A balance of £64,315 (2018: £374,092) was outstanding at 31 December 2019.

**Share-based payment transactions**

There were share-based transactions with certain key management personnel during the year. Further details of these transactions can be found in note 33.

**Directors' loans**

Loans to directors of £7.2m were brought into the Group as a result of the purchase of Nevada Investment Topco Limited (Nevada) on 22 June 2017. This balance consisted of four individual loans of which three were forgivable over differing periods to 2020.

At the date of acquisition of Nevada, the forgivable loans had a fair value of zero as it is the intention of the Directors to forgive these loans in line with the terms of the individual agreements. The carrying amount of the Directors' loans held on the Group's balance sheet at 31 December 2019 was £1.2m (2018: £1.2m).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Cont.)

**35 Related party transactions** (Cont.)

**Nevada Investment Holdings 2 Limited**

On 31 January 2019, the Group completed the acquisition of Nevada Investment Holdings 2 Limited (Nevada 2), a company registered in the Cayman Islands, from the majority shareholders of the Group, HPS and MDP. The consideration for the acquisition was the issue by the Company of £67.0m principal amount of CECs of £0.01 each. The CECs were converted to 50,489,826 ordinary shares in the Company on 1 May 2019. Nevada 2 was the indirect holding company of Minton House Group Limited, Health and Protection Solutions Limited and Professional Fee Protection Limited on 31 January 2019.

**Transactions with shareholders**

During 2019 the Group paid costs of £20,861 on behalf of HPS. The balance outstanding at 31 December 2019 was £247,861 (2018: £227,000).

**Ultimate parent company**

The Ardonagh Group Limited's majority shareholder is HPS Investment Partners LLC. The Ardonagh Group Limited is the Group's ultimate parent company and the highest level at which results are consolidated.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 36 Group undertakings

The following were Group undertakings at 31 December 2019. Unless otherwise shown, the capital of each company is wholly-owned ordinary shares and the principal country of operation is the country of incorporation/registration.

| Company | Share-holding | Registered office address | Country of incorporation | Nature of holding |
|---|---|---|---|---|
| Ardonagh Finco plc | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Ardonagh Midco 1 Limited | 100% | 47 Esplanade, St Helier, Jersey, JE1 0BD | Jersey | Ordinary |
| Arista Insurance Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| CCV Risk Solutions Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Geo Underwriting Services Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Paymentshield Limited | 100% | Paymentshield House, Wight Moss Way, Southport, Merseyside, PR8 4HQ | England | Ordinary |
| Towergate Underwriting Group Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Antur Insurance Services Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary & preference |
| B.I.B. (Darlington) Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| B.I.B. Underwriters Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Berkeley Alexander Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Bishop Skinner Insurance Brokers Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Bishopsgate Insurance Brokers Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Dawson Whyte Limited | 100% | 116-118 Holywood Road, Belfast, BT4 1NU | Northern Ireland | Ordinary |
| Fusion Insurance Services Scandinavia Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 36 Group undertakings (Cont.)

| Company | Share-holding | Registered office address | Country of incorporation | Nature of holding |
|---|---|---|---|---|
| Four Counties Insurance Brokers Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Geo Specialty Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Geo Specialty Liability Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Managing Agents Reference Assistance Services Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Morgan Law Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Oyster Property Insurance Specialists Limited | 75% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Oyster Risk Solutions Limited | 87.5% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Ardonagh Services Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary & deferred |
| Antur (West Wales) Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| B.I.B. (Darlington) Acquisitions Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| B.I.B.U. Acquisitions Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Bishop Skinner Acquisitions Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Bishop Skinner Insurance Brokers Holdings Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Broker Network Holdings Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Cullum Capital Ventures Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 36 Group undertakings (Cont.)

| Company | Share-holding | Registered office address | Country of incorporation | Nature of holding |
|---|---|---|---|---|
| Geo Specialty Group Holdings Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Lunar 101 Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Morgan Law (Holdings) Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Paymentshield Group Holdings Limited | 100% | Paymentshield House, Wight Moss Way, Southport, Merseyside, PR8 4HQ | England | Ordinary |
| Paymentshield Holdings Limited | 100% | Paymentshield House, Wight Moss Way, Southport, Merseyside, PR8 4HQ | England | Ordinary |
| Paymentshield Services Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Towergate Risk Solutions Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Ardonagh Midco 2 plc | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Nevada Investment Holdings 6 Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Nevada Investment Holdings 7 Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Nevada Investorco Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Nevada Investments 1 Limited | 96.4% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Nevada Investments 2 Limited | 96.4% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Nevada Investments 3 Limited | 96.4% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Nevada Investments 4 Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Nevada Investments 5 Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 36 Group undertakings (Cont.)

| Company | Share-holding | Registered office address | Country of incorporation | Nature of holding |
|---|---|---|---|---|
| Nevada Investments 6 Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Nevada Investments 7 Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Nevada Investments Holdings Limited | 100% | 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009 | Cayman Islands | Ordinary |
| Nevada Investments Topco Limited | 100% | 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009 | Cayman Islands | Ordinary |
| Nevada Management (Nominees) Limited | 100% | 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009 | Cayman Islands | Ordinary |
| Dawson Pennington & Company Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Ardonagh TM Holdco Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Atlanta Investment Holdings 3 Limited | 80.9% | Nile Street, Burslem, Stoke-on-Trent, ST6 2BA | England | Ordinary |
| Atlanta Investment Holdings 2 Limited | 80.9% | Nile Street, Burslem, Stoke-on-Trent, ST6 2BA | England | Ordinary |
| Atlanta Investment Holdings Limited | 80.9% | Nile Street, Burslem, Stoke-on-Trent, ST6 2BA | England | Ordinary |
| Atlanta 1 Insurance Services Limited | 80.9% | Nile Street, Burslem, Stoke-on-Trent, ST6 2BA | England | Ordinary |
| KDB Medicals Limited | 80.9% | Nile Street, Burslem, Stoke-on-Trent, ST6 2BA | England | Ordinary |
| Atlanta Investment Holdings A Limited | 80.9% | Nile Street, Burslem, Stoke-on-Trent, ST6 2BA | England | Ordinary |
| Chase Templeton Holdings Limited | 100% | First Floor, Millennium House, Victoria Road, Douglas, Isle of Man, IM2 4RW | Isle of Man | Ordinary |
| Chase Templeton Group Limited | 100% | First Floor, Millennium House, Victoria Road, Douglas, Isle of Man, IM2 4RW | Isle of Man | Ordinary |
| Chase Templeton Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Network Protect Limited | 100% | First Floor, Millennium House, Victoria Road, Douglas, Isle of Man, IM2 4RW | Isle of Man | Ordinary |
| T F Bell Holdings Limited | 100% | 15 Canada Square, London, E14 5GL | England | Ordinary |
| URIS Topco Limited | 96.4% | Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL | England | Ordinary & preference |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 36 Group undertakings (Cont.)

| Company | Share-holding | Registered office address | Country of incorporation | Nature of holding |
|---|---|---|---|---|
| URIS Group Limited | 96.4% | Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL | England | Ordinary |
| URIS Central Administration Limited | 96.4% | Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL | England | Ordinary |
| Cassidy Davis Underwriting Agency Limited | 96.4% | Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL | England | Ordinary |
| Millennium Insurance Brokers Limited | 96.4% | Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL | England | Ordinary |
| RDG Midas Holdings (NI) Limited | 96.4% | Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL | England | Ordinary & preference |
| Midas Underwriting Limited | 96.4% | Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL | England | Ordinary |
| Charles Hurst Insurance Services Limited | 50% | Elizabeth House First Floor, 116-118 Holywood Road, Belfast, BT4 1NU | England | Ordinary |
| Direct Creditor Administration Limited | 96.4% | Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL | England | Ordinary |
| Direct Warranty Administration Limited | 96.4% | Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL | England | Ordinary |
| URIS Investment Limited | 96.4% | Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL | England | Ordinary, deferred & preference |
| URIS Holdings Limited | 96.4% | Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL | England | Ordinary |
| Price Forbes Holdings Limited | 100% | 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009 | Cayman Islands | Ordinary |
| PFIH Limited | 100% | 6th Floor, 2 Minster Court, Mincing Lane, London, EC3R 7PD | England | Ordinary |
| Price Forbes Group Limited | 100% | 6th Floor, 2 Minster Court, Mincing Lane, London, EC3R 7PD | England | Ordinary |
| Price Forbes Labuan Limited | 100% | ZICO Trust Limited, Unit 13 (A) Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 | Malaysia | Ordinary |
| Price Forbes & Partners Limited | 100% | 6th Floor, 2 Minster Court, Mincing Lane, London, EC3R 7PD | England | Ordinary |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 36 Group undertakings (Cont.)

| Company | Share-holding | Registered office address | Country of incorporation | Nature of holding |
|---|---|---|---|---|
| Price Forbes DMCC | 100% | 1004, JBC4, Cluster N, Jumeirah Lake Towers, United Arab Emirates | Dubai | Ordinary |
| Price Forbes & Partners (Bermuda) Limited | 100% | Butterfield Bank Building, 6th Floor, 65 Front Street, Hamilton, HM 12 | Bermuda | Ordinary |
| Price Forbes (PTY) Limited | 100% | 1st Floor, Block A, Kingsley Office Park, 85 Protea Road, Chislehurston, Johannesburg | South Africa | Ordinary |
| Purely Insurance Limited | 100% | 6th Floor, 2 Minster Court, Mincing Lane, London, EC3R 7PD | England | Ordinary |
| Equinox Underwriting North America Inc | 100% | 2711 Centerville Road, Suite 400, Wilmington, DE 19808 | USA | Ordinary |
| Solis Re Agency Inc | 51% | c/o Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, DE 19808 | USA | Ordinary |
| Healthy Pets Limited | 100% | 6 Ridgeway Office Park, Bedford Road, Petersfield, Hampshire, GU32 3QF | England | Ordinary |
| Paymentshield Life Underwriting Services Limited | 100% | Paymentshield House, Wight Moss Way, Southport, Merseyside, PR8 4HQ | England | Ordinary |
| Towergate Financial (East) Holdings Limited | 84.2% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Towergate Financial (East) Intermediate Limited | 84.2% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Towergate Financial (East) Limited | 84.2% | 1 Minster court, London, EC3R 7AA | England | Ordinary & preference |
| Towergate Financial (Group) Limited | 85.1% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Towergate Financial (London) Limited | 73.6% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Towergate Financial (North) Holdings Limited | 77.8% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Towergate Financial (North) Limited | 77.8% | 1 Minster court, London, EC3R 7AA | England | Ordinary & preference |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 36 Group undertakings (Cont.)

| Company | Share-holding | Registered office address | Country of incorporation | Nature of holding |
|---|---|---|---|---|
| Towergate Financial (Scotland) Holdings Limited | 85.1% | 150 St Vincent Street, Glasgow, G2 5NE | Scotland | Ordinary |
| Towergate Financial (Scotland) Limited | 85.1% | 150 St Vincent Street, Glasgow, G2 5NE | Scotland | Ordinary |
| Towergate Financial (West) Holdings Limited | 85.1% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Towergate Financial (West) Limited | 84.9% | 1 Minster court, London, EC3R 7AA | England | Ordinary & preference |
| HS 428 Limited | 100% | 15 Canada Square, London, E14 5GL | England | Ordinary |
| Oak Affinity Consultancy Limited | 100% | 15 Canada Square, London, E14 5GL | England | Ordinary |
| Four Counties Finance Limited | 100% | 15 Canada Square, London, E14 5GL | England | Ordinary |
| Execcover Limited | 100% | 15 Canada Square, London, E14 5GL | England | Ordinary |
| Moffatt & Co Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Arthur Marsh & Son Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Suddards Davies & Associates Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Waveney Group Schemes Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Waveney Insurance Brokers (Commercial) Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Waveney Insurance Brokers Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| CCG Financial Services Limited | 77.8% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Chorlton Cloughley Group Limited | 100% | 15 Canada Square, London, E14 5GL | England | Ordinary |
| Cox Lee & Co Limited | 100% | 15 Canada Square, London, E14 5GL | England | Ordinary |
| Duncan Pocock (Holdings) Limited | 100% | 15 Canada Square, London, E14 5GL | England | Ordinary |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 36 Group undertakings (Cont.)

| Company | Share-holding | Registered office address | Country of incorporation | Nature of holding |
|---|---|---|---|---|
| JW Group Limited | 100% | Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG | Scotland | Ordinary |
| M2 Financial Fees Limited | 84.2% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Portishead Insurance Management Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Protectagroup Acquisitions Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Protectagroup Holdings Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Protectagroup Limited | 100% | 15 Canada Square, London, E14 5GL | England | Ordinary |
| Richard V Wallis & Co Limited | 100% | 15 Canada Square, London, E14 5GL | England | Ordinary |
| Roundcroft Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| The Folgate Partnership Limited | 100% | 15 Canada Square, London, E14 5GL | England | Ordinary |
| TL Risk Solutions Limited | 100% | 15 Canada Square, London, E14 5GL | England | Ordinary |
| Towergate Chase Parkinson Limited | 100% | 15 Canada Square, London, E14 5GL | England | Ordinary |
| Towergate Financial (Edinburgh) Limited | 85.1% | 150 St Vincent Street, Glasgow, G2 5NE | Scotland | Ordinary & preference |
| Towergate Financial (Huddersfield) Intermediate Limited | 77.8% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Towergate Financial (Huddersfield) Limited | 77.8% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Towergate FJC Limited | 85.1% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Towergate Wilsons Limited | 100% | 15 Canada Square, London, E14 5GL | England | Ordinary |
| Carole Nash Legal Services LLP | 40.5% | Helmont House, Churchill Way, Cardiff, CF10 2HE | Wales | LLP |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 36 Group undertakings (Cont.)

| Company | Share-holding | Registered office address | Country of incorporation | Nature of holding |
|---|---|---|---|---|
| The Ardonagh Nominee Company Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Ardonagh Investments Limited | 100% | 22 Grenville Street, St. Helier, Jersey, JE4 8PX | Jersey | Ordinary |
| Ardonagh Investments 2 Limited | 100% | 22 Grenville Street, St. Helier, Jersey, JE4 8PX | Jersey | Ordinary |
| Broker Network Insurance Brokers Limited | 100% | Hexagon House, Grimbald Crag Close, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ | England | Ordinary & preference |
| HS 426 Limited | 100% | 15 Canada Square, London, E14 5GL | England | Ordinary |
| AIUA Holdings Limited | 100% | 15 Canada Square, London, E14 5GL | England | Ordinary |
| Mastercover Insurance Services Limited | 100% | 2 Oaks Court, Warwick Road, Borehamwood, Hertfordshire, WD6 1GS | England | Ordinary |
| Ardonagh Specialty Holdings Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Carole Nash Insurance Consultants Limited | 80.9% | Trafalgar House, 110 Manchester Road, Altrincham, Cheshire, WA14 1NU | England | Ordinary & deferred |
| William Rogers Holding Company Limited | 100% | 15 Canada Square, London, E14 5GL | England | Ordinary |
| Nevada Investment Holdings 5 Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Autonet Law LLP | 75% | PM House, 250 Shepcote Lane, Sheffield, S9 1TP | England | LLP |
| Townfrost Limited | 100% | Hexagon House, Grimbald Crag Close, St James Business Park, Knaresborough, North Yorkshire, HP5 8PJ | England | Ordinary |
| Walter Ainsbury & Son Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Smith & Pinching General Insurance Services Limited | 100% | 15 Canada Square, London, E14 5GL | England | Ordinary |
| Ainsbury (Insurance Brokers) Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 36 Group undertakings (Cont.)

| Company | Share-holding | Registered office address | Country of incorporation | Nature of holding |
|---|---|---|---|---|
| Jubilee Service Solutions Limited | 96.4% | Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL | England | Ordinary |
| Lutine Assurance Services Limited | 96.4% | Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL | England | Ordinary |
| Ardonagh Midco 3 plc | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Bishopsgate North American Binders Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Price Forbes Risks Solutions Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Ardonagh Advisory Holdings Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Geo Europe B.V. | 100% | Weena 505, 17de verdieping, 3013AL Rotterdam | Netherlands | Ordinary |
| Geo Underwriting Europe B.V. | 100% | Weena 505, 17de verdieping, 3013AL Rotterdam | Netherlands | Ordinary |
| Atlanta Investment Holdings Midco B Limited | 80.9% | Nile Street, Burslem, Stoke-on-Trent, ST6 2BA | England | Ordinary |
| Atlanta Investment Holdings B Limited | 80.9% | Nile Street, Burslem, Stoke-on-Trent, ST6 2BA | England | Ordinary |
| Carole Nash Insurance Consultants (Ireland) Designated Activity Company | 80.9% | Ulysses House, 22/24 Foley St, Mountjoy, Dublin | Ireland | Ordinary |
| Swinton (Holdings) Limited | 100% | Embankment West Tower, 101 Cathedral Approach, Salford, M3 7FB | England | Ordinary |
| Swinton Group Limited | 100% | Embankment West Tower, 101 Cathedral Approach, Salford, M3 7FB | England | Deferred |
| Swinton Properties Limited | 100% | Embankment West Tower, 101 Cathedral Approach, Salford, M3 7FB | England | Ordinary |
| Fairfield Insurance Services Limited | 100% | Embankment West Tower, 101 Cathedral Approach, Salford, M3 7FB | England | Ordinary |
| Its4Me Limited | 100% | Embankment West Tower, 101 Cathedral Approach, Salford, M3 7FB | England | Ordinary |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 36 Group undertakings (Cont.)

| Company | Share-holding | Registered office address | Country of incorporation | Nature of holding |
|---|---|---|---|---|
| EIBL Management Limited | 100% | Embankment West Tower, 101 Cathedral Approach, Salford, M3 7FB | England | Ordinary |
| EIBL Limited | 100% | Embankment West Tower, 101 Cathedral Approach, Salford, M3 7FB | England | Ordinary |
| Andinsure Limited | 100% | Embankment West Tower, 101 Cathedral Approach, Salford, M3 7FB | England | Ordinary |
| Walmsleys Insurance Brokers Limited | 100% | Embankment West Tower, 101 Cathedral Approach, Salford, M3 7FB | England | Ordinary |
| Colonnade Insurance Brokers Limited | 100% | Embankment West Tower, 101 Cathedral Approach, Salford, M3 7FB | England | Ordinary |
| Rockford Group Limited | 100% | Embankment West Tower, 101 Cathedral Approach, Salford, M3 7FB | England | Ordinary |
| Rockford Insurance Brokers Limited | 100% | Embankment West Tower, 101 Cathedral Approach, Salford, M3 7FB | England | Ordinary |
| The T F Bell Group Limited | 100% | 15 Canada Square, London, E14 5GL | England | Ordinary |
| Health and Protection Solutions Limited | 100% | West Park House, 23 Cumberland Place, Southampton, SO15 2BB | England | Ordinary |
| Minton House Group Limited | 100% | 1 Minster court, London, EC3R 7AA | England | Ordinary |
| Brokers Educational Supply Teachers Claims Limited | 100% | 55 Bishopsgate, London, EC2N 3AS | England | Ordinary |
| Professional Fee Protection Limited | 100% | 5 Sylvan Way, Southfields Business Park, Basildon, SS15 6TH | England | Ordinary |
| Professional Financing Limited | 100% | 5 Sylvan Way, Southfields Business Park, Basildon, SS15 6TH | England | Ordinary |
| PFP Tax Services Limited | 100% | 5 Sylvan Way, Southfields Business Park, Basildon, SS15 6TH | England | Ordinary |
| Bishopsgate Energy Limited | 100% | 2 Minster court, London, EC3R 7AA | England | Ordinary |
| Atlanta Investment Holdings C Limited | 100% | Nile Street, Burslem, Stoke-on-Trent, ST6 2BA | England | Ordinary |
| Nevada Investment Holdings 3 Limited | 100% | 55 Bishopsgate, London, EC2N 3AS | England | Ordinary |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

### 36 Group undertakings (Cont.)

| Company | Share-holding | Registered office address | Country of incorporation | Nature of holding |
|---|---|---|---|---|
| Nevada Investment Holdings 2 Limited | 100% | 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009 | Cayman Islands | Ordinary |
| Nevada Investment Holdings Parent Limited | 100% | 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009 | Cayman Islands | Ordinary |
| Nevada Investment Holdings Midco Limited | 100% | 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009 | Cayman Islands | Ordinary |
| Price Forbes Europe NV | 100% | Bastion Towers, 5 Place du Champ du Mars, Brussels 1050, Belgium | Belgium | Ordinary |

### 37 Subsequent events

On 28 February 2020, the Group completed the purchase of certain business and assets held by Rural Insurance Group Limited. The consideration paid was £23.5m cash.

During the first quarter of 2020, the Group has also exchanged contracts (but not yet completed) in relation to its intention to purchase, subject to regulatory conditions including change of control approvals:

- The entire issued share capital of Bennetts Motorcycling Services Limited for £26m.
- The entire issued share capital of a target company registered in Ireland, for EUR 25.2m.

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).

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ARDONAGH GROUP LIMITED

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

**Opinion**

In our opinion:

- **the financial statements of The Ardonagh Group Limited (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;**
- **the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;**
- **the parent company financial statements 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 accordance with Companies (Jersey) Law, 1991.**

We have audited the financial statements which comprise:

- the consolidated statement of profit and loss;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statement of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows; and
- the related notes, including the accounting policies presented in note 3.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 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 Group and the parent 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 as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS** (Cont.)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Summary of our audit approach**

| | |
|---|---|
| Key audit matters | The key audit matters that we identified in the current year were:<br>• Revenue recognition—IFRS 15 transition<br>• Going concern<br>• Enhanced Transfer Value ('ETV') pension provision<br>• Goodwill impairment<br>• Presentation of Alternative Performance Measures ('APMs')<br>• Broker Network—Valuation of deferred proceeds financial liability<br>• Provisions against credit exposures in Insurance Broking Accounts ('IBA') balances |
| Materiality | The materiality that we used for the Group financial statements was £4.5m which was determined on the basis of reported Total Income. |
| Scoping | Scoping coverage included 12 entities subject to full scope audits and a further 5 subject to the audit of specified account balances. These scoped in entities represent 91% of Group commission and fee revenue and 94% of Group total assets and 93% of Group total liabilities. |

**Conclusions relating to going concern**

| | |
|---|---|
| We are required by ISAs (UK) to report in respect of the following matters where:<br>• the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or<br>• the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent 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.** |

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS** (Cont.)

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Enhanced Transfer Values ('ETV') provision**

| | |
|---|---|
| **Key audit matter description** | Following the 2014 FCA review of the suitability of bulk pension transfer advice by financial advisors where employers offered an enhancement on the value of their defined benefit fund to transfer out, the Group has an obligation to provide customer redress in respect the ETV pension advice given to customers of the Towergate Financial business. At 31 December 2018 the ETV provision was £51m (2017: £51m).<br><br>Key assumptions within the provision estimate are:<br>• The "suitability rate"—the percentage of customers in the population who it is concluded received suitable advice; and<br>• The average redress per customer where suitable advice was not given.<br><br>In determining the average redress per customer, management engaged an actuarial expert.<br><br>The related ETV disclosures provide the key assumptions that underpin the provision estimate and the sensitivity of the provision to these key assumptions.<br><br>Refer to Note 4 to the financial statements (Key sources of estimation uncertainty) and Note 32 to the financial statements (Provisions for other liabilities and charges). |
| **How the scope of our audit responded to the key audit matter** | We have gained an understanding of the end to end ETV provision calculation process and assessed the design and implementation of relevant controls.<br><br>In addition we performed the following audit procedures:<br>• we made enquiries of management to understand how they determined the various components and key assumptions included within the provision estimate, including:<br>  • the total redress case population;<br>  • the identification of "unsuitable" cases due for redress payment; and<br>  • the estimate of average customer redress based on the principles set out by the Financial Conduct Authority (FCA).<br>• we inspected correspondence with the FCA to identify regulatory observations in relation to the ETV redress process and progress of managements work to date;<br>• we tested the completeness and accuracy of data inputs into the provision calculation through agreeing customer file conclusions to calculation inputs; and<br>• we reviewed and challenged management's financial statement disclosure for appropriate presentation of key assumptions and uncertainties in the determination of the ETV provision.<br><br>We have worked with our pension actuarial experts to:<br>• review the reasonableness of the estimate of average customer redress assumption used in calculating the ETV estimate; and |

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Cont.)

**Enhanced Transfer Values ('ETV') provision**

- assess the competence and independence of management's external expert.

**Key observations**

We concluded that the ETV provision recorded by management is reasonable and the key assumptions used are also reasonable. We considered that the disclosures in relation to the estimation uncertainties and the sensitivity in key assumptions in Notes 4 and 32 to the financial statements are appropriate.

**Goodwill impairment**

**Key audit matter description**

Goodwill arising on business combinations is a significant asset on the balance sheet of the Group £678m (2017: £671m). As required by IAS 36 goodwill is tested for impairment at least annually.

During 2018, management changed their operating segments to facilitate better operational decision making across the Group. Goodwill is therefore monitored at the operating segment level. Determining whether goodwill is impaired requires an estimation of the recoverable amount of each operating segment, using the higher of value in use (VIU) or fair value less costs to sell (FVLCS).

The estimated recoverable amount is subjective and calculated using a valuation model underpinned by key assumptions including forecast cash flows, discount rates and long term growth rates.

Both a VIU and FVLCS approach was used to assess the recoverable amount of all operating segments.

Refer to Note 4 to the financial statements (Key sources of estimation uncertainty) and Note 13 to the financial statements (Intangible assets).

**How the scope of our audit responded to the key audit matter**

We have gained an understanding of management's process for performing the annual impairment test and assessed the design and implementation of relevant key controls.

In addition we performed the following audit procedures:

- we challenged management on their methodology for performing the annual goodwill impairment test at the operating segment level in accordance with the requirements of IAS 36, and the basis for determining the fair value of each operating segment;
- we performed a detailed analysis and challenged the assumptions used in the annual impairment review, in particular forecast growth within the three year business plan; and
- we performed an assessment of actual current period cash flows against prior period forecasts to assess the accuracy of managements forecasting.

We have worked with our valuation experts to:

- review and challenge key assumptions within the fair valuation model, including discount rates and price-earnings multiples, and benchmark these against external peer group data.

**Key observations**

Through performing our detailed testing we considered that management's conclusion that no impairment is required as of 31 December 2018 is reasonable.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Cont.)

**Goodwill impairment**

Key assumptions including discount rates and earnings multiples used within the assessment are reasonable.

We considered the financial statements disclosures in relation to the goodwill impairment test were appropriate.

**Going concern**

**Key audit matter description**

Management makes an assessment of the Group's ability to continue as a going concern, taking into account all available information about the future, which is at least, but is not limited to, twelve months from the date when the financial statements are authorised for issue. The Group reported an operating loss of £51.1m (2017: £199.9m) and cash inflow of £172.0m (2017: £189.8m).

Since the formation of the Group in 2017, significant investment has been made in major transformation projects, which put pressure on working capital and liquidity.

In June 2017 the Group issued £400m and $520m senior secured notes to refinance debt and to finance a number of acquisitions. In November 2018, the Group issued a further $235m of secured loan notes increasing long-term debt of the Group to £1.14bn (2017: £854m), with the proceeds used to acquire the Swinton Group. The Group's loan notes require significant interest payments of £99m per year, which are considered within year end forecast cash flows, and the adherence to debt covenant compliance.

The Group also continues to benefit from the availability of the Revolving Credit Facility (RCF), which remains undrawn as of 31 December 2018, and the Letter of Credit (LOC) issued in October 2018 to support the Group's ETV pension redress, which remains of uncertain quantum and timing.

Refer to Note 2 (Basis of preparation).

**How the scope of our audit responded to the key audit matter**

We performed the following audit procedures:

- we reviewed and challenged key assumptions underpinning cash flow forecasts including EBITDA growth, working capital, capital expenditure, interest expense, utilisation of the Revolving Credit Facility (RCF), potential impact of Brexit and cash flow mitigating actions within management's control;
- We performed an assessment of actual current period cash flows against prior period forecasts to address the accuracy of management's forecasting; and
- we reviewed financial statement disclosures in respect of going concern for transparency and inclusion of all facts and circumstances of which we are aware through the performance of the audit work.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Cont.)

**Going concern**

| | |
|---|---|
| **Key observations** | We agreed that management's use of the going concern basis of accounting was appropriate and considered that the going concern disclosures in Note 2 to the financial statements (Basis of preparation) are appropriate. |

**Broker Network – valuation of deferred proceeds financial liability**

| | |
|---|---|
| **Key audit matter description** | During the year, the Group disposed of its shareholding in Broker Network to a related party investment vehicle, backed by funds managed by the Group's two largest shareholders.<br><br>Cash consideration of £30m was received for the shareholding which included a fair value component at the point of sale of £10m, and a future expected value component of £20m. The transaction agreement includes a clawback mechanism, based on the future equity value generated by Broker Network, where if an anticipated return is not reached over a two year time horizon to January 2020, the Group may be required to compensate the purchaser up to a maximum of £31.2m.<br><br>In accounting for this transaction, management exercised significant judgement in determining:<br><br>• That the transaction should be accounted for as a sale rather than a form of financing; and<br><br>• The achieved IRR at January 2020 and hence the value of the clawback liability at that future date.<br><br>A financial liability of £16.75m in respect of the Broker Network transaction clawback clause of has been recognised at 31 December 2018.<br><br>Refer to Note 4 to the financial statements (Key judgements and sources of estimation uncertainty) and Note 17 to the financial statements (Investment in associate and joint ventures). |
| **How the scope of our audit responded to the key audit matter** | We have gained an understanding of management's process for assessing the equity value of Broker Network and assessed the design and implementation of relevant key controls.<br><br>We performed the following audit procedures:<br><br>• reviewed and challenged management's accounting approach;<br><br>• we reviewed Broker Network transactions throughout 2018 and obtained evidence for which aggregating deals had completed and could be included in the valuation model;<br><br>• we agreed data inputs into the valuation model to the budgets provided by Broker Network;<br><br>• we reviewed and challenged management's methodology and valuation approach in respect of the revaluation of the clawback liability at the balance sheet date 31 December 2018, and the forecast valuation at the adjustment date January 2020; this valuation is dependent on Broker Network's pipeline of transactions to be completed through 2019; and<br><br>• we reviewed financial statement disclosures for transparency and completeness of information. |
| **Key observations** | We concluded that the valuation of deferred proceeds (clawback) financial liability recorded by management is reasonable. |

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS** (Cont.)

**Presentation of Alternative Performance Measures (APMs)**

**Key audit matter description**

Pro Forma Adjusted EBITDA is a key metric that management use to assess the quality of the Group's earnings. It removes adjusting items ("Items excluded from Adjusted EBITDA"), being significant acquisition and disposal related items and other costs associated with the ongoing transformation of the Group. Pro Forma balances are presented as if the significant acquisition and disposal related transactions occurred on the first day of the comparative period.

The Group reports Items excluded from Reported Adjusted EBITDA of £79.5m (2017: £122.2m), and Pro Forma Adjusted EBITDA of £115.4m (2017: £184.7m) in the Annual Report.

This measure and other such non-GAAP measures used are Alternative performance measures ("APMs"). An APM is defined by ESMA as "a financial measure of historical or future performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework (e.g. EU-adopted IFRS) applied by the entity".

There is a risk that costs relating to the underlying performance of the business are incorrectly presented as adjusting items. The Group has in place adjusting items definitions (see Glossary in Section 3 of the Annual Report) and a risk exists that this is not consistently applied across the Group. In addition, there is a risk that these adjusting items are not clearly disclosed and undue prominence is given to APMs compared to the statutory results of the Group within the financial statements.

All APMs are unaudited. Items excluded from Adjusted EBITDA are based on the Group's own definitions and may not be comparable to similar items used in the APMs of other organisations.

Refer to page ● (Summary of Group Financial Performance) and page ● (Other unaudited financial information).

**How the scope of our audit responded to the key audit matter**

We have gained an understanding of management's process for identifying exceptional or adjusting items across the Group and assessed the design and implementation of relevant key controls.

We performed the following audit procedures:

- We performed sample tests to provide assurance that the amounts of Items excluded from Adjusted EBITDA are in accordance with the definitions set out in the Glossary in Section 3 of the Annual Report.; and;
- we challenged the prominence given to Pro Forma Adjusted EBITDA and other APMs relative to the Group's statutory results. We read the description of the basis of Pro Forma results and considered whether it was consistently applied.

**Key observations**

Our testing of a sample of items presented as adjusting did not identify any instances that were not presented in accordance with the Group's definitions.

We considered that the Group's use and presentation of Alternative Performance Measures was acceptable and consistently applied.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Cont.)

### Provisions for credit exposures in Insurance Broking Account (IBA) balances

**Key audit matter description**

The Towergate insurance broking business is subject to credit exposures on legacy funded IBA balances. These exposures arise from payments made to carriers or other amounts historically funded. A provision is required for amounts identified where there is a risk of recoverability. As at 31 December 2018 management booked a provision of £6.8m (2017: £0).

The process for setting a provision for credit exposures is complex, including manual business processes, assessment of large volumes of data and the application of management judgement in assessing recoverability of credit exposures in IBA balances.

Refer to Note 19 (Trade and other receivables) and Note 27 (Trade and other payables).

**How the scope of our audit responded to the key audit matter**

We have gained an understanding of management's process for calculating the provision and assessed the design and implementation of relevant key controls.

We performed the following audit procedures:

- we tested a sample of data used in the provision calculation for completeness and accuracy;
- we reviewed and challenged the key assumptions that underpin the provision calculation including recoverability rates; and
- we reviewed management's provision calculation for instances of bias through analysing contradictory evidence, and actual historical debt collections.

**Key observations**

We concluded that the provisions made for credit exposures in IBA balances are reasonable.

### Revenue recognition – IFRS 15 transition

**Key audit matter description**

IFRS 15—Revenue from contracts with customers became effective from 1 January 2018. The Group adopted the new standard by applying the modified transition approach. This resulted in management recording an increase of approximately £14.4m in retained earnings as at 1 January 2018.

There is complexity in interpretation of the new standard and judgement involved in quantifying the impact, including the determination of variable consideration in relation to profit commissions, determination of types of costs which are capitalised, and the determination of performance obligations.

On an ongoing basis IFRS 15 will have an impact on commission and fees and EBITDA; we therefore identified inappropriate implementation of the standard as a potential area for fraud.

Refer to Note 3 to the financial statements (Accounting policies) and Note 4 to the financial statement (Key sources of estimation uncertainty).

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Cont.)

**Revenue recognition – IFRS 15 transition**

| | |
|---|---|
| **How the scope of our audit responded to the key audit matter** | We have gained an understanding of management's process for identifying and accounting for IFRS 15 transition and assessed the design and implementation of relevant key controls.<br>We performed the following audit procedures:<br>• we made enquiries of management to understand the nature of transition adjustments being made;<br>• we evaluated management's interpretation of the new accounting standard and challenged key assumptions they applied to transition adjustments;<br>• we tested management's schedules to verify the consistency of approach across all components and for mathematical accuracy;<br>• we reviewed financial statement disclosures for transparency and completeness of required information. |
| **Key observations** | No issues were identified through our detailed testing of IFRS transition adjustments.<br>We determined that the approach to application of IFRS 15 across the Group to be appropriate and in line with the requirements of the accounting standard.<br>We considered the transition disclosures within the financial statements to be appropriate. |

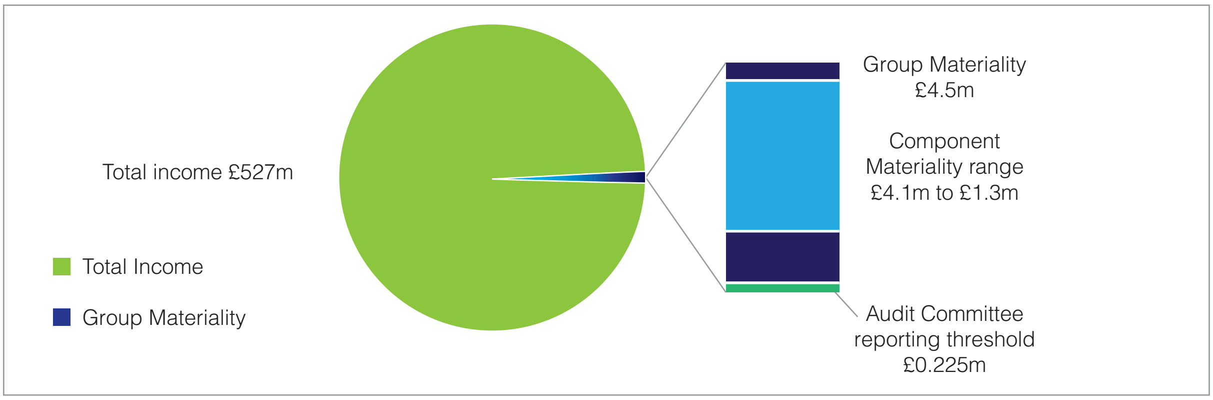
### Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Group financial statements | Parent company financial statements |
|---|---|---|
| Materiality | £4.5m | £4.1m |
| Basis for determining materiality | 0.86% of Reported Total Income of the Group. | 0.63% of Net Assets of the company. |
| Rationale for the benchmark applied | Reported Total Income is determined to be the key driver behind the performance of the company going forward and is therefore of key interest to the shareholders. | Net assets is determined to be the materiality benchmark given the activities of the company. A non-trading holding company with principle activities being to hold intercompany subordinated debt and investment in subsidiaries. |

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS** (Cont.)



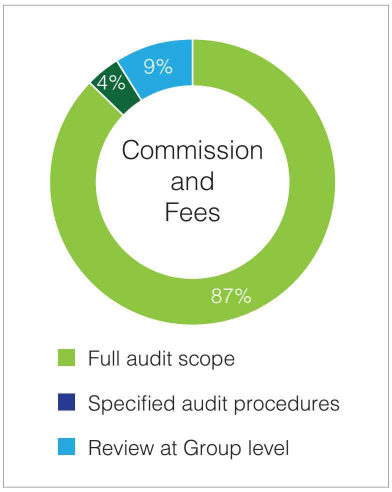

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £225,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

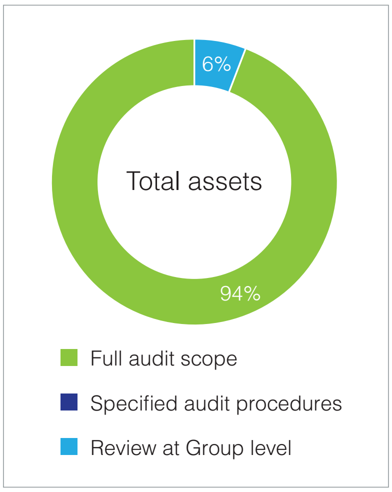
**An overview of the scope of our audit**

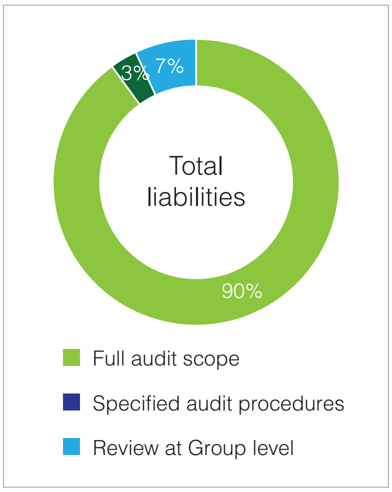
Given the number of components and operating locations within the Group, we assessed the extent of audit work required to be performed to give appropriate coverage for the purposes of the Group financial statement audit. Of the Group's 17 reporting components, we subjected 12 to full scope audits for Group purposes and 5 to specified risk-focussed audit procedures. Those subjected to specified risk-focussed audit procedures are not individually financially significant enough to require full scope audit for Group purposes, but did present specific areas of risk which needed to be addressed.

Work on 16 components was carried out by the Group audit team. Work on a single component, Swinton (Holdings) Limited was undertaken by a component audit team. We directed and supervised their work providing detailed instructions setting out the work to be performed, the use to be made of that work, and the form and content of the component auditor's communication with the Group engagement team.

For residual balances, we performed an analysis at an aggregated Group level to reconfirm our assessment that there were no risks of material misstatement.



**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS** (Cont.)

**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, 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 Group's and the parent 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 Group or the parent 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.

**Report on other legal and regulatory requirements**

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

**Adequacy of explanations received and accounting records**

Under the Companies (Jersey) Law, 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the parent company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

**We have nothing to report in respect of these matters.**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS** (Cont.)

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law, 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Andrew Downes ACA**
For and on behalf of Deloitte LLP
London, UK
5 April 2019

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

| | Note | Year ended 31 December 2018 | Year ended 31 December 2017 |
|---|---|---|---|
| | | £000 | £000 |
| **Continuing operations** | | | |
| Commission and fees | 5 | **521,901** | 409,600 |
| Other income | 5 | **2,572** | 711 |
| Investment income | 7 | **2,106** | 149 |
| Salaries and associated costs | 9 | **(291,372)** | (244,909) |
| Other operating costs | 5 | **(211,211)** | (226,602) |
| Impairment of financial assets | 25 | **(5,061)** | (2,605) |
| Depreciation and amortisation charges | 6 | **(71,284)** | (56,908) |
| Adjustment to goodwill in respect of prior years | 13 | **(3,095)** | — |
| Impairment of goodwill and intangible assets | 13 | **—** | (84,517) |
| Fair value gain on derivatives | 5 | **2,485** | 6,289 |
| Share of profit from joint venture | 17 | **1,777** | 47 |
| Share of loss from associate | 17 | **—** | (1,139) |
| **Operating loss** | **5** | **(51,182)** | (199,884) |
| Finance income | 8 | **533** | 731 |
| Finance costs | 8 | **(94,655)** | (77,435) |
| Gain on disposal | 11 | **7,501** | — |
| Dividends received | | **—** | 38 |
| **Loss before tax** | 5 | **(137,803)** | (276,550) |
| Tax credit | 12 | **26,179** | 3,296 |
| **Loss for the year from continuing operations** | 5 | **(111,624)** | (273,254) |
| **Discontinued operations** | | | |
| Total profit for the year attributable to discontinued operations net of tax | 11 | **—** | 12,398 |
| **Loss for the year** | 5 | **(111,624)** | (260,856) |
| **Attributable to:** | | | |
| Owners of the parent | | **(114,879)** | (262,435) |
| Non-controlling interests | | **3,255** | 1,579 |
| **Loss for the year** | | **(111,624)** | (260,856) |

The notes on pages 68 to 167 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

| | Note | Year ended 31 December 2018 | Year ended 31 December 2017 |
|---|---|---|---|
| | | £000 | £000 |
| **Loss for the year** | | **(111,624)** | (260,856) |
| **Other comprehensive income** | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Exchange differences on translating foreign operations | | **—** | (14) |
| Change in costs of hedging reserve | 26 | **1,261** | — |
| Change in cash flow hedging reserve | 26 | **2,521** | (10,412) |
| Income tax relating to these items | | **(1,159)** | 2,425 |
| **Other comprehensive income/(loss) for the year** | | **2,623** | (8,001) |
| **Total comprehensive loss for the year** | | **(109,001)** | (268,857) |
| **Attributable to:** | | | |
| Owners of the parent | | **(112,256)** | (270,434) |
| Non-controlling interests | | **3,255** | 1,577 |
| **Total comprehensive loss for the year** | | **(109,001)** | (268,857) |

The notes on pages 68 to 167 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

| | Note | 31 December 2018 | Restated 31 December 2017 |
|---|---|---|---|
| | | £000 | £000 |
| **Non-current assets** | | | |
| Intangible assets* | 13 | **1,095,203** | 1,107,638 |
| Property, plant and equipment | 14 | **37,008** | 31,690 |
| Investment in associate and joint venture | 17 | **3,340** | 8,119 |
| Financial assets at fair value through other comprehensive income | 24 | **271** | 268 |
| Trade and other receivables | 19 | **17,500** | — |
| Contract assets | 20 | **2,279** | — |
| Other assets | 21 | **3,706** | — |
| Derivatives | 30 | **1,549** | 1,270 |
| Deferred tax assets | 31 | **27,759** | 15,526 |
| | | **1,188,615** | 1,164,511 |
| **Current assets** | | | |
| Cash and cash equivalents | 18 | **504,956** | 332,916 |
| Trade and other receivables | 19 | **255,216** | 117,356 |
| Derivatives | 30 | **2,929** | — |
| Financial assets at fair value through profit or loss | 24 | **42** | 37 |
| Held for sale assets | 33 | **26,753** | — |
| Contract assets | 20 | **10,315** | — |
| Current tax assets | 31 | **565** | 930 |
| Other assets | 21 | **16,266** | — |
| | | **817,042** | 451,239 |
| **Current liabilities** | | | |
| Trade and other payables | 27 | **(517,442)** | (340,244) |
| Held for sale liabilities | 33 | **(1,976)** | — |
| Borrowings | 29 | **(39,895)** | (71,286) |
| Derivatives | 30 | **(3,529)** | (3,743) |
| Premium financing liabilities | 28 | **(72,072)** | — |
| Contract liabilities | 20 | **(15,400)** | — |
| Provisions | 32 | **(55,361)** | (39,589) |
| | | **(705,675)** | (454,862) |
| **Net current assets/(liabilities)** | | **111,367** | (3,623) |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018** (Cont.)

| | Note | 31 December 2018 | Restated 31 December 2017 |
|---|---|---|---|
| | | £000 | £000 |
| **Non-current liabilities** | | | |
| Trade and other payables | 27 | **(21,423)** | (10,273) |
| Borrowings | 29 | **(1,104,457)** | (825,070) |
| Derivatives | 30 | **(9,603)** | (37,182) |
| Deferred tax liabilities* | 31 | **(61,205)** | (71,475) |
| Contract liabilities | 20 | **(2,425)** | — |
| Provisions | 32 | **(31,740)** | (44,317) |
| | | **(1,230,853)** | (988,317) |
| **Net assets** | | **69,129** | 172,571 |

* The consolidated statement of financial position as at 31 December 2017 has been restated following the acquisition of Carole Nash which occurred on 20 December 2017. The previously reported financial statements as at 31 December 2017 recognised the excess of consideration over the fair value of net assets acquired entirely as goodwill. During the measurement period in 2018 intangible assets (note 13) and an associated deferred tax liability (note 31) have been recognised and restated in the financial statements at 31 December 2017.

| | Note | 31 December 2018 | Restated 31 December 2017 |
|---|---|---|---|
| **Capital and reserves attributable to the Group's shareholders** | | | |
| Share capital | 34 | **6,826** | 6,826 |
| Share premium | 34 | **674,391** | 674,391 |
| Retained losses | | **(601,337)** | (503,215) |
| Hedging reserves | | **(5,946)** | (7,985) |
| Share based payment reserve | | **225** | — |
| Non-controlling interest reserve | | **(3,695)** | (6,533) |
| Foreign currency translation reserve | | **(14)** | (14) |
| Shareholders' equity | | **70,450** | 163,470 |
| Non-controlling interest | | **(1,321)** | 9,101 |
| **Total equity** | | **69,129** | 172,571 |

The notes on pages 68 to 167 form an integral part of these consolidated financial statements.

This set of consolidated financial statements was approved by the Board of Directors on 5 April 2019 and was signed on its behalf by:

D Cougill
Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

| | Note | Share capital | Share premium | Retained losses | Hedging reserves | Share based payment reserve |
|---|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 | £000 |
| At 1 January 2018 | | 6,826 | 674,391 | (503,215) | (7,985) | — |
| Transition to IFRS 9 and IFRS 15 | 3 | — | — | 14,620 | (471) | — |
| Opening NCI adjustment | | — | — | 2,239 | — | — |
| **Restated at 1 January 2018** | | 6,826 | 674,391 | (486,356) | (8,456) | — |
| Loss for the year | | — | — | (114,879) | — | — |
| Other comprehensive income | | — | — | — | 2,623 | — |
| Distribution to NCI | | — | — | — | — | — |
| Adjustments to NCI | | — | — | — | — | — |
| Reclassification of reserves | | — | — | — | (113) | — |
| Share based payment | 35 | — | — | — | — | 238 |
| Purchase of own shares | | — | — | (102) | — | (13) |
| **At 31 December 2018** | | 6,826 | 674,391 | (601,337) | (5,946) | 225 |

| | Note | Non-controlling interest reserve | Foreign currency translation reserve | Total shareholders' equity | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 | £000 |
| At 1 January 2018 | | (6,533) | (14) | 163,470 | 9,101 | 172,571 |
| Transition to IFRS 9 and IFRS 15 | 3 | — | — | 14,149 | 1,899 | 16,048 |
| Opening NCI adjustment | | — | — | 2,239 | (2,239) | — |
| **Restated at 1 January 2018** | | (6,533) | (14) | 179,858 | 8,761 | 188,619 |
| Loss for the year | | — | — | (114,879) | 3,255 | (111,624) |
| Other comprehensive income | | — | — | 2,623 | — | 2,623 |
| Distribution to NCI | | — | — | — | (192) | (192) |
| Adjustments to NCI | | 2,725 | — | 2,725 | (13,145) | (10,420) |
| Reclassification of reserves | | 113 | — | — | — | — |
| Share based payment | 35 | — | — | 238 | — | 238 |
| Purchase of own shares | | — | — | (115) | — | (115) |
| **At 31 December 2018** | | (3,695) | (14) | 70,450 | (1,321) | 69,129 |

The £16.1m adjustment to equity is a result of the adoption of IFRS 9 and IFRS 15 from 1 January 2018. The Group adopted these standards applying the modified retrospective approach without restatement. Of the adjustment above, £(0.2m) relates to IFRS 9 and £16.3m relates to IFRS 15.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

| | Share capital | Share premium | Retained losses | Hedging reserves |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| At 1 January 2017 | 3,600 | 356,400 | (240,780) | — |
| Loss for the year | — | — | (262,435) | — |
| Issue of share capital | 400 | 38,504 | — | — |
| Converted equity certificates | 2,792 | 276,108 | — | — |
| Other comprehensive income | — | — | — | (7,985) |
| Loan notes converted to equity | 34 | 3,379 | — | — |
| Adjustments to NCI | — | — | — | — |
| Acquisition of NCI in business combinations | — | — | — | — |
| At 31 December 2017 | 6,826 | 674,391 | (503,215) | (7,985) |

| | Non-controlling interest reserve | Foreign currency translation reserve | Total shareholders' equity | Non-controlling interest | Total equity |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| At 1 January 2017 | — | — | 119,220 | 25 | 119,245 |
| Loss for the year | — | — | (262,435) | 1,579 | (260,856) |
| Issue of share capital | — | — | 38,904 | — | 38,904 |
| Converted equity certificates | — | — | 278,900 | — | 278,900 |
| Other comprehensive income | — | (14) | (7,999) | (2) | (8,001) |
| Loan notes converted to equity | — | — | 3,413 | — | 3,413 |
| Adjustments to NCI | (6,533) | — | (6,533) | (2,868) | (9,401) |
| Acquisition of NCI in business combinations | — | — | — | 10,367 | 10,367 |
| At 31 December 2017 | (6,533) | (14) | 163,470 | 9,101 | 172,571 |

In January 2017, a £40.0m rights issue offered by the Group was fully subscribed for by MDP and a non-controlling interest. A total of 40 million ordinary shares of £0.01 each were issued at a premium of £39.6m. Transaction costs of £0.6m were set off against the proceeds of the share issue within the share premium account.

The notes on pages 68 to 167 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

| | Note | Year ended 31 December 2018 | Year ended 31 December 2017 |
|---|---|---|---|
| | | £000 | £000 |
| **Cash flows from operating activities** | | | |
| Net cash inflow/(outflow) from operations | 22 | **71,133** | (17,655) |
| Interest paid | | **(40)** | (6) |
| Interest received | | **516** | 726 |
| Investment income | | **2,106** | 149 |
| Income from joint venture | 17 | **1,200** | — |
| Tax paid | | **(528)** | (710) |
| Increase in Insurance Broking creditors | | **—** | 9,392 |
| Settlement of forward contracts | | **(691)** | — |
| Transaction costs on acquisitions | 15 | **(2,315)** | — |
| **Net cash inflow/(outflow) from operating activities** | | **71,381** | (8,104) |
| **Cash flows from investing activities** | | | |
| Acquisition of businesses net of cash acquired | 15 | **(143,388)** | (39,516) |
| Purchase of property, plant and equipment | 14 | **(2,373)** | (7,525) |
| Purchase of intangible fixed assets | 13 | **(19,735)** | (20,510) |
| Disposal of businesses | 11 | **52,828** | (80) |
| Contingent consideration received | | **12,400** | — |
| Contingent consideration paid | | **(7,310)** | — |
| Net cash disposed of with businesses | 11 | **(6,997)** | — |
| Dividends received | | **—** | 38 |
| Cash placed on fixed term deposits | | **—** | 13,508 |
| **Net cash outflow from investing activities** | | **(114,575)** | (54,085) |
| **Cash flows from financing activities** | | | |
| Proceeds from new loan notes | | **261,256** | 864,136 |
| Proceeds from issue of shares | | **—** | 62,082 |
| Proceeds from borrowings | | **15,000** | 58,000 |
| Repayment of borrowings | | **(45,000)** | (530,451) |
| Interest paid on borrowings | | **(79,038)** | (37,973) |
| Proceeds from premium financing | 28 | **72,072** | — |
| Debt transaction costs | | **(6,406)** | (25,329) |
| Acquisition of shares from non-controlling interest | | **(4,326)** | (5,989) |
| Payment to non-controlling interest | | **(192)** | — |
| Costs incurred on the revolving credit facility | | **—** | (1,826) |
| Settlement of shareholder loan notes | | **(4,867)** | (748) |
| Settlement of deferred consideration | | **—** | (925) |
| Settlement of financial liabilities on acquisition | | **—** | (128,919) |
| Purchase of own shares | | **(116)** | — |
| Capital element of finance lease rental payments | | **(44)** | (41) |
| **Net cash inflow from financing activities** | | **208,339** | 252,017 |
| **Net increase in cash and cash equivalents** | | **165,145** | 189,828 |
| Cash and cash equivalents at the beginning of the year | | **332,916** | 143,088 |
| Effect of movements in exchange rates on cash held | | **6,895** | — |
| **Cash and cash equivalents at the end of the year** | 18 | **504,956** | 332,916 |

Cash and cash equivalents includes restricted cash (see note 18 for details).

The notes on pages 68 to 167 form an integral part of these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 General information

The Ardonagh Group Limited (the Company) is a private company limited by shares with registered number 117710. It is incorporated and registered in Jersey. The address of its registered office is 47 Esplanade St Helier Jersey JE1 0BD. The principal business activities of the Company and its subsidiaries are described in the Directors Report.

### 2 Basis of preparation

The consolidated financial statements comprise the Company and its subsidiaries (the Group) and have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU-adopted IFRS) and the Companies (Jersey) Law 1991 applicable to companies reporting under IFRS.

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

Amounts shown are rounded to the nearest thousand, unless stated otherwise.

The consolidated financial statements have been prepared under the historical cost convention, as modified to use a different measurement basis where necessary to comply with IFRS.

#### Going concern

The financial statements of the Group set out on pages 68 to 167 have been prepared on a going concern basis. At 31 December 2018, the Group had net assets of £69.1m (2017: £172.6m) and net current assets of £111.4m (2017: net current liabilities of £3.6m). The Group reported an operating loss of £51.2m for the year ended 31 December 2018 (2017: £199.9m) and cash inflows of £172.0m (2017: £189.8m).

The Directors consider the going concern basis to be appropriate following their assessment of the Group'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 Group (see Strategic Report: Liquidity and Capital Resources on page 21 of the Annual Report and Financial Statements for the Twelve Months Ended 31 December 2018) and its base case and stressed cash flow forecasts over the calendar years 2019 and 2020.
- The principal risks facing the Group and its systems of risk management and internal control.
- 2019 liquidity to date is tracking favourably to plan.

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

- Invests to complete the major business transformation projects involving the finance function and broker system consolidation and that it achieves the projected synergies.
- Continues to benefit from the Revolving Credit Facility of £120m, which is limited to £90m whilst the Letter of Credit ancillary facility of £50m remains in place. None of the available £90m Revolving Credit Facility was utilised at 31 December 2018.
- Settles the ETV liabilities over a 24-month period commencing in the second half of 2019 (see note 32).

Key stress scenarios the Directors have considered are:

- A shortfall in base case projected operating cash flows due to adverse economic conditions, project over-spend and project delays.
- Deterioration in the quantum and acceleration of the settlement of the ETV liabilities compared to the base case.
- Mitigating actions within management control such as:
  - Delayed capital expenditure and a reduction in discretionary spend. This action could be utilised if trading performance and cash flows are not in line with the reforecast and can be managed by temporary spending deferrals.
  - Raising additional debt, additional shareholder support, and the potential sale of non-core assets.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2 Basis of preparation** (Cont.)

**Going concern** (Cont.)

- The impact of Brexit.

Following the assessment of the Group's financial position and of its ability to meet its obligations as and when they fall due, the Directors have a reasonable expectation that the Group will be able to continue to operate for at least the next twelve months. Therefore, the annual financial statements have been prepared on a going concern basis.

**3 Accounting policies**

The accounting policies adopted are consistent with those of the previous financial year with the exception of new standards effective from 1 January 2018 as described in 'Application of new and revised International Financial Reporting Standards' (section (s) below). Additional accounting policies have been incorporated in 2018 as necessary as a result of transactions and acquisitions during the year.

**(a) Basis of consolidation**

The Group consolidates those investees that it is deemed to control, referred to as subsidiaries. The Group has control over an investee if all three of the following are met: (i) it has power over the investee, (ii) it is exposed to, or has rights to, variable returns from its involvement with the investee, and (iii) it has ability to use its power over the investee to affect the amount of its own returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group. The assets, liabilities, profits and losses of the subsidiary are added line by line to those of the Group.

Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**Accounting for business combinations**

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, and liabilities and contingent liabilities assumed, in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Acquisition-related costs, except costs to issue debt or equity securities, are expensed as incurred.

If a business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Subsequent changes to the fair value of contingent consideration that is deemed to be an asset or liability are recognised in accordance with IFRS 9 'Financial Instruments' in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

**Disposal of subsidiaries**

Where the Group loses control of a subsidiary, the assets and liabilities are derecognised along with any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(a) Basis of consolidation** (Cont.)

**Goodwill**

Goodwill is initially measured as the excess of the fair value of the consideration transferred and of the non-controlling interest over the fair value of the net of the identifiable assets acquired and liabilities assumed. If goodwill is negative (i.e. a shortfall instead of an excess), it is recognised in profit or loss.

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash generating units for the purposes of impairment testing.

**Transactions with non-controlling interests**

Transactions with non-controlling interests that do not result in the loss of control are accounted for as equity transactions.

**(b) Investments in associates and joint ventures**

**Associates**

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements as a single line in each of the statement of financial position and the statement of profit or loss using the equity method of accounting. The consolidated statement of financial position therefore includes investment in associates measured at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of the investment, but the carrying amount cannot fall below zero. The consolidated income statement includes a share of the profit or loss of the associate.

**Joint arrangements**

The Group applies IFRS 11 'Joint Arrangements' to all joint arrangements. Investments in joint arrangements are, as required by IFRS 11, classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

**(c) Intangible assets**

**Customer relationships**

Customer relationship intangible assets are recognised on a business combination because the acquirer is able to benefit from selling future new business through existing relationships. Their fair value is calculated as the sum of the present value of projected cash flows in excess of returns on contributory assets over the life of the relationship with the customers. These assets are amortised on a straight-line basis over their estimated useful lives of between 8 and 17 years, which is estimated by reference to the history of the relationships and levels of attrition.

**Distribution network**

Distribution network intangible assets are recognised on a business combination because the acquirer is able to benefit from already established distribution channels. Their fair value is calculated as the sum of the present value of projected future cash flows generated by existing distribution channels. These assets are amortised on a straight-line basis over their estimated useful lives of 10 years, which is estimated by reference to the history of the relationships and levels of attrition.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(c) Intangible assets** (Cont.)

**Brand**

Brand intangible assets are recognised on a business combination because they are separable or arise from contractual or other legal rights. Their fair value is calculated as the sum of the present value of projected royalty payments that would be paid to licence the right to use the brand. These assets are amortised on a straight-line basis over their estimated useful lives of between 5 and 15 years, which considers the Group's track record of retaining brands and experience of the insurance broker market.

**Computer software**

Acquired computer software licences are recognised when they are purchased separately or are recognised on a business combination. Their fair value is calculated by reference to the net book value acquired. These assets are amortised on a straight-line basis over their estimated useful lives of between 4 and 5 years.

**Internally-generated computer software and assets under construction**

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

An internally-generated intangible asset arising from development of computer software (or from the development phase of an internal project) is recognised if, and only if, all the following conditions have been demonstrated:

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

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

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

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

**Intellectual property**

Intellectual property assets include a bespoke database and online platform. This asset is amortised on a straight-line basis over its estimated useful life of four years.

**Derecognition of intangible assets**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(c) Intangible assets** (Cont.)

**Impairment of assets**

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

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

**Commission buy outs**

Prior to 1 January 2018, commission buy outs were recognised as intangible assets, measured on initial recognition at the present value of projected future commission savings. These assets were amortised at a monthly rate of 3% on a reducing balance basis. Following the adoption of IFRS 15 'Revenue from Contracts with Customers' on 1 January 2018, commission buy outs are considered to be a cost to obtain contracts with customers and so are recognised only if they meet the criteria set out in IFRS 15, see (s) 'Application of new and revised International Financial Reporting Standards' below.

**(d) Property, plant and equipment**

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

| | |
|---|---|
| Freehold land | - not depreciated |
| Freehold buildings | - 2% per annum on buildings/5% per annum on integral features |
| Leasehold improvements | - over the life of the lease |
| Fixtures and fittings | - 10% to 25% per annum |
| Furniture and office equipment | - 10% to 25% per annum |
| Computer equipment | - 20% to 25% per annum |
| Motor vehicles | - 25% to 33% per annum |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Property, plant and equipment is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of property, plant and equipment, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

**(e) Leases**

A lease agreement that transfers substantially all the risks and rewards of ownership to the Group is a finance lease and results in the recognition of a lease asset within property, plant and equipment, which is subsequently depreciated over the shorter of the useful life of the asset and the lease term. The related lease obligation is included in liabilities, on which interest arises and is charged to the income statement over the period of the lease term.

A lease that does not transfer substantially all the risks and rewards of ownership to the Group is an operating lease. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(f) Financial instruments (accounting policy from 1 January 2018)**

**Recognition and initial measurement**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**Derecognition**

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

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

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

**Offsetting**

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

**Classification and subsequent measurement of financial assets**

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

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

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on their classification.

**Financial assets classified as amortised cost**

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(f) Financial instruments (accounting policy from 1 January 2018)** (Cont.)

**Financial assets classified as amortised cost** (Cont.)

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The Group's financial assets measured at amortised cost include trade and other receivables (except for certain other receivables measured at FVTPL, see below), cash and cash equivalents and other financial assets.

The Group's trade receivables do not generally have a significant financing component, so their transaction (invoiced) price is considered to be their amortised cost.

Insurance brokers act as agents in placing the insurable risks of their clients with insurers and, as such, are not liable as principal for amounts arising from such transactions. In recognition of this relationship, debtors from insurance broking transactions are not included as an asset of the Group. Other than the receivable for fees and commissions earned on a transaction, no recognition of the insurance transaction occurs until the Group receives cash in respect of premiums or claims, at which time a corresponding liability is established in favour of the insurer or the client.

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

**Financial assets classified as FVTOCI**

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

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

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

**Financial assets classified as FVTPL**

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Accounting policies (Cont.)

#### (f) Financial instruments (accounting policy from 1 January 2018) (Cont.)

**Financial assets classified as FVTPL** (Cont.)

Financial assets at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss to the extent they are not part of a designated hedging relationship. Interest earned on assets mandatorily required to be measured at FVTPL is recognised using a contractual interest rate. Dividend income from equity instruments measured at FVTPL is recognised in profit or loss as part of investment income when the right to payment has been established (provided that it is probable that the economic benefits will flow to the Group and that the amount of income can be measured reliably). This is the ex-dividend date for listed equity securities, and usually the date when shareholders approve the dividend for unlisted equity securities.

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

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

**Foreign exchange gains and losses**

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

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

**Reclassifications**

Financial assets are not reclassified subsequent to their initial recognition. They would only be reclassified if the Group were to change its business model for managing its financial assets, in which case the affected financial assets would be reclassified in the period following that change.

**Impairment of financial assets**

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

The Group 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 Group'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, current conditions and the Group'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 Group 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 Group measures the loss allowance for that financial instrument at an amount equal to 12 months ECL.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(f) Financial instruments (accounting policy from 1 January 2018)** (Cont.)

**Impairment of financial assets** (Cont.)

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

All cash and cash equivalents are assessed to have low credit risk at each reporting date as they are held with reputable banks and financial institution counterparties with, wherever possible, a minimum single A credit rating from both Moody's and S&P. The Group measures the loss allowance for such assets at an amount equal to 12 months ECL.

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

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

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

**Definition of default**

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a longer or shorter default criterion is more appropriate.

**Credit-impaired financial assets**

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(f) Financial instruments (accounting policy from 1 January 2018)** (Cont.)

**Write-off policy**

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. A write-off constitutes a derecognition event. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

**Classification and subsequent measurement of financial liabilities**

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

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

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities.

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

The Group's financial liabilities include borrowings, trade and other payables and derivatives.

**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 measured at amortised cost using the effective interest rate method.

**Trade payables**

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

**Derivative financial instruments**

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

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

**Cash flow hedges**

The Group enters into cross-currency swaps and foreign exchange forwards to manage its exposure to foreign exchange rate risks. The Group designates these derivatives as cash flow hedges, being hedges of a particular risk associated with the cash flows of recognised liabilities and highly probable forecast transactions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(f) Financial instruments (accounting policy from 1 January 2018)** (Cont.)

**Cash flow hedges** (Cont.)

At the inception of such hedging transactions the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of derivative instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in other operating costs.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, included in the same line as that which the hedged item affects.

Furthermore, if the Group expects that some or all of the loss accumulated in other comprehensive income will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is reclassified to profit or loss when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

**Cross-currency swaps**

The Group's risk management policy is to hedge its foreign currency exposure to its US dollar denominated debt.

The Group separates the foreign currency basis spread from a cross currency swap and excludes it from the designation of that financial instrument as the hedging instrument.

The fair value changes in the basis spread are separately accounted for as a cost of hedging in other comprehensive income and recognised in a costs of hedging reserve within equity. Such costs of hedging are amortised (i.e. reclassified to profit or loss) over the life of the hedged debt (or when the hedge is de-designated). The treatment for the currency basis element is optional and the option is applied on a hedge by hedge basis.

The Group uses the hypothetical derivative method to determine the changes in fair value of the hedged item. The Group assesses hedge effectiveness by comparing the changes in fair value of a hypothetical

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(f) Financial instruments (accounting policy from 1 January 2018)** (Cont.)

**Cross-currency swaps** (Cont.)

derivative reflecting the terms of the foreign currency debt security issued due to movements in the foreign currency rate with the changes in fair value of the cross-currency swaps used to hedge the exposure.

The Group determines the hedge ratio by comparing the notional of the derivatives with the principal of the debt securities issued. The Group has identified the following possible sources of ineffectiveness in these cash flow hedge relationships:

- The use of cross currency derivatives as a protection against currency risk creates an exposure to the derivative counterparty's credit risk which is not offset by the hedged item. This risk is minimised by entering into contracts with high credit quality counterparties;
- The use of different discounting curves for the hedged item and the hedging instrument, because for cross currency swaps the discounting curve used depends on collateralisation and the type of collateral used; and
- Designation of off-market hedging instruments.

No other sources of ineffectiveness affected these hedge relationships. The Group has not designated any net positions as hedged items on cash flow hedges of foreign currency risk.

**Forward contracts**

The Group's risk management policy is to hedge 80%, 65% and 50% of its estimated foreign currency exposure in respect of forecast revenue over the following 12, 24 and 36 months respectively.

The Group's policy is for the critical terms of the forward exchange contracts to align with the hedged item. The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:

- The effect of the counterparty and the Group's own credit risk on the fair value of the forward foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates;
- the use of different discounting curves for the hedged item and the hedging instrument, because for the currency forward contracts the discounting curve used depends on collateralisation and the type of collateral used; and
- Changes in the timing of the hedged transactions.

For the forward contracts, the Group designates the entire hedging instrument (i.e. the currency forward inclusive of the forward element) applying the so-called "forward rate method" throughout the hedge designation. Given the size of the notional, tenure and currency pairs involved in the currency forwards, the forward points are not considered to be significant enough to warrant separation as costs of hedging and so are included in the measurement of the hedged item.

**Finance income and finance costs**

The Group's finance income and finance costs include:

- interest income
- interest expense
- unwind of discount on provisions

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(f) Financial instruments (accounting policy from 1 January 2018)** (Cont.)

**Finance income and finance costs** (Cont.)

- unwind of discount on financial assets or liabilities
- the net gain or loss reclassified from other comprehensive income to profit or loss in relation to hedging instruments

Interest income and expense are recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI.

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

**(g) Financial instruments (accounting policy prior to 1 January 2018)**

For accounting policies prior to 1 January 2018, refer to The Ardonagh Group Limited Annual Report for the year ended 31 December 2017.

**(h) Provisions for liabilities and charges**

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

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

Where appropriate the Group discounts provisions to their present value. The unwinding of the provision discounting is included as an interest charge within finance costs in the income statement. In the year, the Group discount rate used to calculate the present value of provisions was amended to reflect the risk-free rate, the adjustment made can be seen in the provisions table (note 32).

**(i) 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.

**(j) Revenue**

The Group applied IFRS 15 from 1 January 2018 using the modified retrospective approach without restatement (see note 3(s) below). Prior to 1 January 2018 the Group had applied IAS 18 'Revenue'.

Under IFRS 15, revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer (net of refunds) and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a service to a customer.

**Commission and fees**

Revenue includes commission and fees receivable by the Group. Commission and fees relate mainly to placement or underwriting of policies on behalf of insurers or policyholders and are recognised at the later of policy inception date or when the policy placement has been completed and confirmed.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(j) Revenue** (Cont.)

**Commission and fees** (Cont.)

The Group utilises the practical expedient in IFRS 15 not to adjust the amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between when the Group transfers a service to a customer and when the customer pays for that service will be one year or less.

**Post-placement performance obligations**

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

To the extent that commission and fees received (or receivable) relate to both placement and post-placement performance obligations, a suitable proportion of income related to post-placement obligations is deferred based on the estimated standalone selling prices of the performance obligations in the contract and is presented as a contract liability. Revenue for post-placement obligations is recognised over the period of providing the services. Under IAS 18, the Group recognised the commission and fees on placement of policies and recognised a provision for the costs to satisfy these performance obligations.

**Variable consideration**

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

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

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

  Under the loss corridor arrangements, the commission received by the Group is subject to a clawback if a set loss ratio exceeds an agreed threshold. When the threshold is exceeded, a payment calculated as a percentage of the loss (between 1% and 4% of the loss) is due to the insurer up to a maximum. Expected clawbacks under loss corridor arrangements are recognised in trade and other payables.

  Payment terms of profit share and loss corridor arrangements vary across the group and depend on the specific agreement with the insurer. Because of the time required for policies to earn out and for claims to mature, final settlement may take up to 2-3 years from the point at which the Group places a policy (i.e. satisfies its performance obligation).

  Under IAS 18, profit commission was recognised at a point when it could be measured with reasonable certainty, which was in some cases later than under IFRS 15. Accrued profit commission was presented in accrued income. Commission expected to be clawed back under a loss corridor arrangement was reduced against a provision when a loss to the Group was probable and the amount could be measured reliably.

- Some contracts with customers include cancellation rights, whereby the consideration receivable by the Group is subject to a clawback. Some policies placed by the Group are rolling until the customer

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(j) Revenue** (Cont.)

**Variable consideration** (Cont.)

cancels the policy. If no claims are made under the policy, then cancellations usually entitle the policyholder to a proportional refund of the consideration.

When the effect is material, the Group adjusts the estimated consideration for the expected clawback based on historical experience of average cancellations and recognises revenue only on the amount that is not expected to be refunded. The Group reassesses at the end of the reporting period whether the estimated clawback needs to be revisited. Amounts that are expected to be refunded for consideration that has been received or invoiced are recognised in trade and other payables. Revenue recognised on rolling contracts (based on the expected consideration net of cancellations) is presented in contract assets until the consideration is invoiced.

**Other income**

Other income includes fair value gains and losses on financial assets at FVTPL that are recognised on a business combination in relation to the Group's right to variable consideration on rolling contracts with customers for which the performance obligation was satisfied prior to the acquisition. Other income also includes rent receivable and service charges receivable in respect of sub-let properties.

**(k) Contract costs**

Contract costs give rise to assets recognised in accordance with IFRS 15 which consist of:

- Costs to fulfil – salary and other costs of customer-facing employees who undertake activities necessary to satisfy anticipated contracts with the customer. The Group estimates the proportion of costs that are eligible to be capitalised based on the time spent by customer-facing employees on relevant inception/renewal activities. Capitalised costs are released to profit or loss on inception or renewal of the contract with the customer, which normally takes place within one to three months of the reporting period.
- Costs to obtain – incremental fees paid to distributors (usually aggregator websites) for obtaining new business. These costs are amortised, on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates, over the average life of the relationship with the customer.

  The Group utilises the practical expedient to recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

Contract costs are presented within 'other assets' when recognised in the statement of financial position. Under IAS 18, contract costs were generally expensed as incurred.

**(l) Operating segments**

Under IFRS 8 'Operating Segments', the Group determines and presents operating segments based on the information that is provided to the Group Executive Committee, which is the Group's chief operating decision maker. The operating segments reflect the Group's operational structure. The segments described have been revised in the period to reflect the way in which the Group is currently managed, and comparative values have been restated on this basis. Segments are reviewed and revised as necessary following structural changes within the Group or acquisitions of new companies.

**(m) Employee benefits**

**Pension costs**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(m) Employee benefits** (Cont.)

**Pension costs** (Cont.)

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

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

**Long-Term Incentive Plans**

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

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

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

At the end of each reporting period the Group revises its estimate of the expected pay out, and it recognises the impact of the revision to the original estimate, if any, in the income statement with a corresponding adjustment to the related provision (during the performance period) or prepayment (during the clawback period) as relevant.

**Share-based payments**

The Group operates an equity-settled share-based payment scheme as at 31 December 2018 (the Ardonagh MIP). The fair value of the services received in exchange for the grant of the shares is recognised as an expense, measured based on the grant date fair value of the shares and recognised on a straight-line basis over the vesting period.

The Ardonagh MIP shares have no dividend or voting rights and cannot be sold. They are convertible to ordinary shares of the Group on the occurrence of a crystallisation event, being the earlier of a liquidity event, an Initial Public Offering (IPO) and a winding-up. The Group has the option to repurchase Ardonagh MIP shares if an employee leaves the Group prior to the occurrence of a crystallisation event.

**(n) Foreign currencies**

The Group's consolidated financial statements are presented in GBP, the Group's presentational currency, which is also the Company's functional currency.

**Foreign currency transactions and balances**

Foreign currency transactions are converted into the functional currency of the respective Group entity, using the exchange rates at the dates of the transactions, with differences recognised in profit or loss.

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(n) Foreign currencies** (Cont.)

**Foreign currency transactions and balances** (Cont.)

Profits or losses arising from forward foreign exchange contracts taken out to hedge the currency exposure from future income are recognised in the profit and loss account unless such contracts are designated as cash flow hedges, in which case they are accounted for as described above in (f) Cash flow hedges.

**Foreign operations**

On consolidation, the results and financial position of foreign subsidiaries are translated into the presentational currency of the Group from their functional currencies, i.e. the currency of the primary economic environment in which the entity operates. Assets and liabilities of foreign subsidiaries are translated into GBP at the exchange rate at the reporting date. Income and expenses are translated into GBP at average exchange rates. The impact of these currency translations is recorded in other comprehensive income and recognised in the currency translation reserve in equity.

**(o) Taxation**

**Current tax**

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

**Deferred tax**

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

The tax expense for the period 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.

**(p) Dividend distribution**

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

**(q) Discontinued operations**

A disposal group qualifies as a discontinued operation if it is a component of an entity (which will have been a cash-generating unit or group of cash-generating units) that either has been disposed of, or it is classified as held for sale, and:

- it represents a separate major line of business or geographical area of operations; or
- it is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- it is a subsidiary acquired exclusively with a view to resale.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Accounting policies (Cont.)

#### (q) Discontinued operations (Cont.)

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount in 'total comprehensive profit or loss for the period attributable to discontinued operations' in the income statement.

Additional disclosures are provided in note 11. All other notes to the financial statements include amounts for continuing operations, unless otherwise stated.

#### (r) Held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

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

The following new standards, amendments to standards and interpretations have been issued and are mandatory for the first time in the Group's financial statements for the financial year beginning 1 January 2018:

- Relevant and material (further information is provided below):
  - IFRS 9 'Financial Instruments'; and
  - IFRS 15 'Revenue from Contracts with Customers'.
- Relevant but not material:
  - Amendments to IFRS 2 'Classification and Measurement of Share-based Payment Transactions'.
  - IFRIC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'.

The following new standards, amendments to standards and interpretations have been issued but are not mandatory in the Group's financial statements for the financial year beginning 1 January 2018:

- To be adopted by the Group on 1 January 2019, relevant and material (further information is provided below):
  - IFRS 16 'Leases'.
- To be adopted early by the Group on 1 January 2019, relevant but not material:
  - Amendments to IAS 1 and IAS 8 'Definition of Material'; and
  - Amendments to IFRS 3 'Definition of a Business'.
- Not adopted early and still being assessed by the Group:
  - IFRS 17 'Insurance Contracts'
  - Annual Improvements to IFRS Standards '2015-2017 Cycle';
  - Amendments to IAS 19 'Plan Amendment, Curtailment or Settlement';
  - Amendments to IAS 28 'Long-term Interests in Associates and Joint Ventures';

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(s) Application of new and revised International Financial Reporting Standards (IFRS)** (Cont.)

- Amendments to IFRS 9 'Prepayment Features with Negative Compensation'; and
- IFRIC 23 'Uncertainty over Income Tax Treatments'.

**IFRS 9 'Financial Instruments'**

The Group's adoption date is 1 January 2018.

**Impact of adoption**

IFRS 9, the new standard for financial instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. It makes changes to the previous guidance on the classification and measurement of financial assets and introduces an expected credit loss (ECL) model for the impairment of financial assets.

IFRS 9 also contains new requirements on the application of hedge accounting. The new requirements align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 'Presentation of Financial Statements', which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss. Previously, the Group's approach was to include the impairment of trade receivables in operating costs.

Additionally, the Group adopted consequential amendments to IFRS 7 'Financial Instruments: Disclosures' that are applied to disclosures relating to 2018 but generally have not been applied to comparative information (as permitted under IFRS 9). The comparative period notes disclosures repeat the disclosures made in the prior year and are presented in accordance with IFRS 7 (pre-amendment by IFRS 9). Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9. The £2.6m impairment of trade receivables in 2017, calculated in accordance with IAS 39, has however been reclassified from operating costs to a separate line item.

The impact on the Group's equity at 1 January 2018 is as follows:

| | Share capital and premium | Foreign currency translation reserve | Cash flow hedging reserve | Costs of hedging reserve | Retained losses |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Closing balance 31 December 2017—IAS 39 | **681,217** | **(14)** | **(7,985)** | **—** | **(503,215)** |
| Costs of hedging excluded from hedge relationship (currency basis spread) | **—** | **—** | **(2,180)** | **1,709** | **471** |
| Increase in loss allowance for trade receivables | **—** | **—** | **—** | **—** | **(239)** |
| **Opening balance 1 January 2018—IFRS 9** | **681,217** | **(14)** | **(10,165)** | **1,709** | **(502,983)** |

There is no material impact on non-controlling interests on the adoption of IFRS 9. The application of IFRS 9 has had no impact on the consolidated cash flows of the Group.

**(i) Classification and measurement**

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management assessed which business models apply to the financial assets held by the Group and classified its financial instruments into the appropriate IFRS 9 categories. The assessment of the business model within which a financial asset is held was made based on the facts and circumstances that existed at the date of initial application.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Accounting policies (Cont.)

#### (s) Application of new and revised International Financial Reporting Standards (IFRS) (Cont.)

#### (i) Classification and measurement (Cont.)

The table below shows the classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018:

| | Original measurement category under IAS 39 | New measurement category under IFRS 9 | Original carrying amount under IAS 39 | Additional loss allowance or remeasurement recognised under IFRS 9 | New carrying amount under IFRS 9 |
|---|---|---|---|---|---|
| | | | £000 | £000 | £000 |
| Derivative assets | Derivatives designated as hedging instruments | Derivatives designated as hedging instruments | **1,270** | — | **1,270** |
| Unlisted equities | Available for sale investments | Fair value through other comprehensive income | **268** | — | **268** |
| UCIS recovered assets | Available for sale investments | Fair value through profit or loss | **37** | — | **37** |
| Trade & other receivables | Loans and receivables | Amortised cost | **82,485** | **(239)** | **82,246** |
| Cash and cash equivalents | Loans and receivables | Amortised cost | **332,916** | — | **332,916** |
| Borrowings | Amortised cost | Amortised cost | **(896,356)** | — | **(896,356)** |
| Contingent consideration payable | Fair value through profit or loss | Fair value through profit or loss | **(3,089)** | — | **(3,089)** |
| Trade payables | Amortised cost | Amortised cost | **(234,460)** | — | **(234,460)** |
| Other financial liabilities | Amortised cost | Amortised cost | **(30)** | — | **(30)** |
| Derivative liabilities | Derivatives designated as hedging instruments | Derivatives designated as hedging instruments | **(40,925)** | — | **(40,925)** |

**The impact of the reclassification was as follows:**

| Financial assets | Note | FVTPL | FVTOCI | Available for sale |
|---|---|---|---|---|
| | | £000 | £000 | £000 |
| Closing balance—31 December 2017—IAS 39 | | **1,270** | — | **305** |
| Reclassification of UCIS assets from available for sale to FVTPL | (a) | **37** | — | **(37)** |
| Reclassification of unlisted investments from available for sale to FVTOCI | (b) | — | **268** | **(268)** |
| **Opening balance 1 January 2018—IFRS 9** | | **1,307** | **268** | — |

(a) Reclassification from available for sale to FVTPL

The Group's UCIS assets were reclassified from available for sale to financial assets at FVTPL under IFRS 9. They do not meet the IFRS 9 criteria for classification at amortised cost because their cash flows do not represent solely payments of principal and interest.

(b) Reclassification from available for sale to FVTOCI

The Group elected to present in other comprehensive income changes in the fair value of all its unlisted equity investments previously classified as available for sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of £0.3m were reclassified from available for sale to FVTOCI. There were no fair value gains to be reclassified.

(c) Cash and cash equivalents and trade receivables

The Group's cash and cash equivalents and trade receivables continue to be accounted for at amortised cost. The business model in which these assets are held is 'hold to collect' as the Group does not sell cash balances and trade receivables to other parties and the "solely payments of principal and interest" test is met as only interest is earned. These assets do not generally have a significant financing component. The application of IFRS 9's impairment requirements at 1 January 2018 resulted in an additional impairment loss on trade and other receivables, over the impairment recognised under IAS 39, of £0.2m.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(s) Application of new and revised International Financial Reporting Standards (IFRS)** (Cont.)

**(i) Classification and measurement** (Cont.)

(d) Derivatives

Derivative assets and liabilities continue to be designated as hedging instruments, but would otherwise continue to be accounted for at FVTPL.

(e) Financial liabilities

There was no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at FVTPL.

(f) Financial assets and liabilities designated as FVTPL

The Group has not designated any financial assets and financial liabilities at FVTPL and it has no current intention to do so. There were no financial assets or financial liabilities which the Group had previously designated as at FVTPL under IAS 39 that were subject to reclassification, or which the Group has elected to reclassify upon the application of IFRS 9.

**(ii) Impairment**

IFRS 9 introduces a new expected credit loss (ECL) impairment model that replaces the incurred loss impairment model used when applying IAS 39. It is not necessary, when applying IFRS 9, for a credit event to have occurred before credit losses are recognised.

The Group has three types of assets subject to the IFRS 9's ECL model:

- trade and other receivables;
- contract assets; and
- cash and cash equivalents.

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The new impairment model mainly impacts the Group's trade receivables.

The application of the IFRS 9 impairment requirements on 1 January 2018 resulted in additional impairment losses on trade and other receivables, over the impairment recognised under IAS 39, of £0.2m.

**Trade receivables**

The Group has applied the simplified approach to recognise lifetime ECL for its trade receivables as these balances do not generally have a significant financing component. This approach allows the use of a provision matrix and is similar to the Group's existing bad debt policy. However, this incorporates more forward-looking information when applying IFRS 9, such as the Group's outlook on the economy, and it is applied also to non-impaired assets.

ECL is calculated based on actual credit loss experience over two years by division. Actual credit loss experience is adjusted by scalar factors to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. The scalar factors are based on GDP and unemployment rate forecasts sourced from the report by HM Treasury 'Forecasts for the UK Economy'.

**Contract assets**

Contract assets represent the Group's right to consideration in exchange for services rendered to customers or work completed but not invoiced at the reporting date or when that right is conditioned on something other than the passage of time (for example, the performance of the related contracts, or losses thereon). The contract assets are transferred to receivables when invoicing occurs or when the rights are otherwise no longer conditional other than on the passage of time.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(s) Application of new and revised International Financial Reporting Standards (IFRS)** (Cont.)

**(ii) Impairment** (Cont.)

**Contract assets** (Cont.)

The Group considers that its contract assets have low credit risk based on the external credit ratings of the counterparties. The application of IFRS 9's impairment requirements at 1 January 2018 did not have any impact on the measurement of the Group's contract assets.

**Cash and cash equivalents**

Cash and cash equivalents represent cash and deposits held with bank and financial institution counterparties with, wherever possible, a minimum single A credit rating from both Moody's and S&P.

The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The estimated impairment on cash and cash equivalents was calculated on a 12-month expected loss basis and reflects the short maturities of those exposures. The application of IFRS 9's impairment requirements at 1 January 2018 did not have any impact on the measurement of the Group's cash and cash equivalents.

**(iii) Hedge accounting**

The Group uses hedge accounting in two areas:

- Hedging the currency risk on highly probable future cash flows denominated in USD using foreign exchange forward contracts; and
- Hedging the currency risk associated with the USD debt using cross-currency swaps.

The Group's previous hedging relationships qualify as continuing hedges upon the adoption of IFRS 9. Hedge documentation has been updated to reflect IFRS 9, which requires the Group to ensure that hedge accounting relationships are aligned with the Group's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

IFRS 9 also introduces new requirements on rebalancing hedge relationships and prohibits voluntary discontinuation of hedge accounting. Under the new model, it is possible that more risk management strategies, particularly those involving hedging a risk component (other than foreign currency risk) of a non-financial item, will qualify for hedge accounting. The Group does not currently undertake hedges of risk components of a non-financial item.

Prior to 1 January 2018, the Group separated the foreign currency basis spread from the cross-currency swaps and excluded it from the designation of that financial instrument as the hedging instrument. The fair value gains or losses arising from the basis spreads were thus recognised in profit or loss when applying IAS 39. Under IFRS 9, an entity may recognise the fair value changes in currency basis spreads as a cost of hedging in other comprehensive income and as a separate reserve within equity.

Similarly, an entity may separate the forward and the spot elements of a forward contract and designate as the hedging instrument only the change in the value of the spot element of the forward contract. The fair value changes in forward points would separately be accounted for as a cost of hedging in other comprehensive income and as a separate reserve within equity.

Such costs of hedging are amortised over the life of the hedged debt or recognised at a point in time when the highly probable cash flows settle (or the hedge is de-designated).

The treatment for the forward element of a forward and for the currency basis of a currency swap is optional and the option is applied on a hedge by hedge basis. The Group applies the following policies from 1 January 2018:

The Group recognise changes in the fair value of currency basis spread from the cross-currency swaps in a costs of hedging reserve within equity. This change has been applied retrospectively, resulting in a

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(s) Application of new and revised International Financial Reporting Standards (IFRS)** (Cont.)

**(iii) Hedge accounting** (Cont.)

retrospective reclassification of £0.5m from retained earnings to the costs of hedging reserve on 1 January 2018. The Group designates the entire hedging instrument for forward contracts (i.e. the currency forward inclusive of the forward points), applying the 'forward rate method' throughout the hedge designation. Given the size of the notional, tenure and currency pairs involved in the currency forwards, the forward points are considered to be insignificant and thus do not warrant separation as costs of hedging and so are included in the measurement of the hedged item.

**(iv) Derecognition**

The derecognition rules have been transferred from IAS 39 and remain largely unchanged.

**IFRS 15 'Revenue from Contracts with Customers'**

The Group's adoption date is 1 January 2018.

IFRS 15 replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts'. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, IFRS 15 introduces the following 5-step approach to revenue recognition:

Step 1: Identify the contract with a customer;

Step 2: Identify the performance obligations in the contract;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations in the contract; and

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group adopted IFRS 15 by applying the modified retrospective approach without restatement, with the cumulative effect on initial application recognised as an adjustment to the opening equity balances at 1 January 2018. The information presented for 2017 is therefore presented as previously reported under IAS 18.

In accordance with the transition requirements, the standard has only been applied to contracts that were incomplete as at 1 January 2018. The Group also utilised the practical expedient in IFRS 15 not to account retrospectively for contract modifications prior to the date of initial application. The disclosure requirements of IFRS 15 have not been applied to comparative information, nor to contracts that were considered complete at the date of initial application.

**Impact of adoption**

The following tables and related narratives summarise the impact of adopting IFRS 15 on the Group's financial statements. There was no material impact on the Group's statement of cash flows for the year ended 31 December 2018. Further information about the Group's accounting policy under IFRS 15 compared to IAS 18 is provided in notes 3(j) and (k) above.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(s) Application of new and revised International Financial Reporting Standards (IFRS)** (Cont.)

**(iv) Derecognition** (Cont.)

**Impact on the opening balance of equity at 1 January 2018**

The table below shows the impact of initially applying IFRS 15 on the opening balance of equity at 1 January 2018:

| | Note | Variable commision | Post placement obligations | Costs to fulfill | Costs to obtain | Total |
|---|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 | £000 |
| **Assets** | | | | | | |
| Contract assets | (a) | **15,068** | **—** | **—** | **—** | **15,068** |
| Trade and other receivables | (a) | **(13,059)** | **557** | **—** | **—** | **(12,502)** |
| Other assets | (b) (c) | **—** | **—** | **5,091** | **9,579** | **14,670** |
| Intangible assets | (c) | **—** | **—** | **—** | **(4,857)** | **(4,857)** |
| Deferred tax assets | | **(2,102)** | **154** | **(967)** | **(1,820)** | **(4,735)** |
| **Liabilities** | | | | | | |
| Contract liabilities | (d) | **—** | **(15,717)** | **—** | **—** | **(15,717)** |
| Trade and other payables | (a) (d) | **2,584** | **14,349** | **—** | **—** | **16,933** |
| Deferred tax liabilities | | **—** | **—** | **—** | **858** | **858** |
| Provisions | (a) | **6,569** | **—** | **—** | **—** | **6,569** |
| **Net assets/(liabilities)** | | **9,060** | **(657)** | **4,124** | **3,760** | **16,287** |
| **Equity** | | **9,060** | **(657)** | **4,124** | **3,760** | **16,287** |

The total impact on transition is an increase of £16.3m (net of tax) to equity, of which £14.4m is attributed to the owners of the parent (credited to retained losses) and £1.9m is attributed to non-controlling interests.

The £16.3m impact on transition that is reported above is £6.9m lower than the £23.2m impact on transition that was reported in the 30 September 2018 unaudited financial statements. This difference results from revisions to previous estimates.

The opening reserves adjustments do not impact the statement of profit or loss.

**Impact on profit or loss for the period to 31 December 2018**

The table below illustrates the impact of IFRS 15 on profit or loss for the year ended 31 December 2018. Line items that were not affected by IFRS 15 have not been included.

| | Note | Amounts which would be presented under IAS 18 | IFRS 15 impact/ adjustment | As presented for the year ended 31 December 2018 |
|---|---|---|---|---|
| | | £000 | £000 | £000 |
| Commission and fee income | (a) (d) | **522,032** | **(131)** | **521,901** |
| Salaries and associated costs | (b) | **(293,333)** | **1,961** | **(291,372)** |
| Other operating costs | (c) | **(211,027)** | **(184)** | **(211,211)** |
| Depreciation, amortisation and impairment charges | (c) | **(72,805)** | **1,521** | **(71,284)** |
| Operating loss | | **(54,349)** | **3,167** | **(51,182)** |
| Tax credit | | **26,798** | **(619)** | **26,179** |
| Loss for the year | | **(114,172)** | **2,548** | **(111,624)** |

Of the IFRS 15 impact on profit or loss, £2.6m is attributable to the owners of the parent and a loss of £(0.1)m is attributable to the non-controlling interests.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(s) Application of new and revised International Financial Reporting Standards (IFRS)** (Cont.)

**(iv) Derecognition** (Cont.)

**Impact on the financial position at 31 December 2018**

The following table illustrates the impact of IFRS 15 on the financial position at 31 December 2018. Line items that were not affected by IFRS 15 have not been included.

| | Note | Amounts which would be presented under IAS 18 | IFRS 15 amounts recognised on transition | IFRS 15 impact/ adjustment | As presented at 31 December 2018 |
|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 |
| **Non-current assets** | | | | | |
| Contract assets | (a) | — | 1,130 | 1,149 | 2,279 |
| Other assets | (b) (c) | — | 9,579 | (5,873) | 3,706 |
| Intangible assets | (c) | 1,102,606 | (4,857) | (2,546) | 1,095,203 |
| Deferred tax assets | | 33,113 | (4,735) | (619) | 27,759 |
| **Current assets** | | | | | |
| Contract assets | (a) | — | 13,938 | (3,623) | 10,315 |
| Other assets | (b) (c) | — | 5,091 | 11,175 | 16,266 |
| Trade and other receivables | (a) | 263,305 | (12,504) | 4,415 | 255,216 |
| Held for sale assets | | 26,430 | — | 323 | 26,753 |
| **Non-current liabilities** | | | | | |
| Contract liabilities | (d) | — | (3,743) | 1,318 | (2,425) |
| Deferred tax liabilities | | (62,063) | 858 | — | (61,205) |
| Trade and other payables | (a) (d) | (29,513) | 9,419 | (1,329) | (21,423) |
| **Current liabilities** | | | | | |
| Contract liabilities | (d) | — | (11,973) | (3,427) | (15,400) |
| Trade and other payables | (a) (d) | (526,807) | 7,515 | 1,850 | (517,442) |
| Provisions | (a) | (61,665) | 6,569 | (265) | (55,361) |
| | | 745,406 | 16,287 | 2,548 | 764,241 |

(a) Variable consideration

Commissions and fees revenue for contracts with variable consideration components is, when applying IFRS 15, recognised on a best estimate basis on policy inception, resulting in the earlier recognition of this revenue. In addition, amounts relating to variable consideration have been reclassified due to the presentation requirements of IFRS 15 (see 'Presentation of assets and liabilities' below). The impact on transition to IFRS 15 is a £9.1m credit to equity (net of tax).

(b) Costs to fulfil

Salaries and other costs associated with customer-facing employees are, when applying IFRS 15, deferred and matched with the related revenue, resulting in the later recognition of these costs. The impact on transition to IFRS 15 is a £4.1m credit to equity (net of tax).

(c) Costs to obtain

When applying IFRS 15, incremental costs paid to distributors (usually aggregator websites) for obtaining new business are capitalised if the estimated life of the client relationship purchased is greater than one year, resulting in the later recognition of these costs. Non-incremental costs relating to commission buy-outs that were previously recognised as an intangible asset do not meet the criteria in IFRS 15 to be capitalised, resulting in earlier recognition of these costs. The impact on transition to IFRS 15 is a £3.8m credit to equity (net of tax).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(s) Application of new and revised International Financial Reporting Standards (IFRS)** (Cont.)

**(iv) Derecognition** (Cont.)

**Impact on the financial position at 31 December 2018** (Cont.)

(d) Post-placement obligations

When applying IFRS 15, commissions and fees revenue associated with post-placement performance obligations (mainly claims handling services) is deferred based on standalone selling prices, resulting in the later recognition of revenue. In addition, deferred revenue – including in relation to placement obligations – has been reclassified due to the presentation requirements of IFRS 15 (see 'Presentation of assets and liabilities' below). The impact on transition to IFRS 15 is a £0.7m debit to equity (net of tax).

**Presentation of assets and liabilities**

The Group changed the presentation of certain amounts in the balance sheet to reflect the terminology of IFRS 15:

- Contract assets represent the Group's right to consideration in exchange for services that the Group has transferred to the customer when that consideration is variable in that it is conditional on something other than the passage of time. A contract asset is reclassified to trade and other receivables when it is no longer conditional or is conditional other than the passage of time.

  Amounts of variable consideration that were previously presented under trade and other receivables have been reclassified to contract assets on transition to IFRS 15. In addition, amounts expected to be paid under loss corridor arrangements have been reclassified from provisions to insurance creditors (trade and other payables) on transition to IFRS 15.

- Other assets include contract costs capitalised under IFRS 15, specifically costs to obtain and costs to fulfil assets.

- Contract liabilities represent the Group's obligation to transfer services to a customer for which the Group has received the consideration (or the amount is due) from the customer. This includes deferred revenue related to post-placement performance obligations and other deferred income (e.g. advances from customers for policies not yet incepted).

  Amounts of deferred income that were previously presented under trade and other payables have been reclassified to contract liabilities on transition to IFRS 15.

**(t) IFRS 16 'Leases'**

The Group's adoption date will be 1 January 2019.

**Nature of change**

IFRS 16 Leases sets out the principles for the recognition, measurement and presentation of leases, for both lessees and lessors. IFRS 16 replaces IAS 17 'Leases' and related interpretations when it becomes effective on 1 January 2019. The date of initial application for the Group will be 1 January 2019 and so IFRS 16 will apply for accounting periods beginning on or after that date.

The Group will adopt IFRS 16 by applying the modified retrospective approach, which requires the cumulative effect of initial application of IFRS 16 to be recognised as an adjustment to the opening balance of retained earnings on the 1 January 2019 date of initial application, without restating prior years. There is not anticipated to be a significant impact on retained earnings on 1 January 2019 as the Group intends to recognise the right-of-use assets at an amount equal to the lease liabilities, as permitted by IFRS 16 when initially applying this new accounting standard.

IFRS 16 eliminates the classification of leases for lessees as either operating leases or finance leases. It introduces a single accounting model for lessees, requiring the Group to recognise substantially all of its

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Accounting policies** (Cont.)

**(t) IFRS 16 'Leases'** (Cont.)

**Nature of change** (Cont.)

current operating lease commitments in the statement of financial position as a lease liability and a right-of-use asset. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

**Impact**

The Group has undertaken a project to identify the impact of the transition to IFRS 16. This has involved the use of third party experts, the identification of lease arrangements and the implementation of new internal reporting systems that are compliant with IFRS 16. The Group is continuing to assess the impact.

Areas of management judgement will relate to the accounting for lease extension and termination options (considered on a case by case basis), whether contracts with suppliers contain a lease, and whether there are separate lease and non-lease components within a contract.

The definition of a lease:

IFRS 16 distinguishes between leases and service contracts on the basis of whether there is control of the use of an identified asset. Control is considered to exist if there is:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

**Lessee accounting**

A right of use asset and lease liability are recognised in the balance sheet. The lease liability is measured at the present value of future lease payments. The right of use asset for a particular lease is usually similar in amount to the corresponding lease liability on inception of the lease, but their carrying amounts diverge through the life of the lease as the asset is depreciated on a straight-line basis whereas interest arises on the lease liability and so is higher in earlier years.

Key impacts of IFRS 16 on lessee accounting are expected to be as follows:

- An increase in assets and an increase in liabilities in the range of £80 million to £90 million; and
- No impact of any significance on reserves.

The Group will elect not to recognise a right-of-use asset and a lease liability for short-term leases (i.e. 12 months or less) and leases of low-value assets.

The Group will apply the following practical expedients on the 1 January 2019 date of initial application of IFRS 16:

- A single discount rate will be used for a portfolio of leases with reasonably similar characteristics, in particular for property leases in the same lease term grouping;
- The right-of-use asset corresponding to an existing operating lease will, as an alternative to performing an impairment review, be reduced by the amount of the onerous lease provision for that operating lease immediately before the date of initial application;
- Initial direct costs will be excluded from the measurement of the right-of-use asset; and
- The use of hindsight will be used, in particular in determining the lease term for arrangements with options to extend or terminate the lease.

The impact for lessees on IAS 17 lease classifications is as follows:

- Operating leases:

  A right of use asset and lease liability will be brought on to the balance sheet. The IAS 17 rental charge is replaced by depreciation and interest.

  The main difference between the lease liability to be recognised on 1 January 2018 and the operating lease commitment disclosed in note 36 arises from the use of discount rates.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 **Accounting policies** (Cont.)

**(t) IFRS 16 'Leases'** (Cont.)

**Lessee accounting** (Cont.)

- Finance leases:

Finance leases in place at 31 December 2018 will be reclassified from property, plant and equipment to right of use assets and from obligations under finance leases to lease liabilities.

Lessor accounting:

The Group does not undertake arrangements as a lessor other than as a sublessor, but sublessor arrangements are not material to the Group.

### 4 Critical accounting judgements and estimates

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.

**Critical judgements in applying accounting policies**

**Deferred tax assets**

Significant judgement is required in determining the asset recognised in respect of deferred tax. A deferred tax asset is recognised for temporary timing differences, but management's best estimate is used to determine the extent to which it is probable that taxable profits will be available in the future against which the temporary differences can be utilised and to determine the amount of this taxable profit. Deferred tax assets are measured at the tax rates and laws that have been enacted or substantively enacted by the end of the reporting year.

The deferred tax asset as at 31 December 2018 is £27.8m (2017: £15.5m). See note 31 for further information.

**Disposal of an associate**

The Group disposed of its entire shareholding in Bravo Investment Holdings Limited (Bravo) in 2018 to Nevada Investment Holdings 2 Limited, a related party of the Ardonagh Group due to common shareholders (see note 17). The Group applied significant judgement in determining whether the disposal constituted a sale given that the Group retained some rights and has continuing involvement in relation to Bravo, in particular a right to appoint one non-executive director to the Board of Directors of Bravo, a call option over the shares of Bravo, and involvement in that the Group provides certain services to Bravo. The Group determined that the transaction constituted a sale due to the following:

- The Group does not retain any voting or other economic rights, so it does not have any rights over the profit or net assets of Bravo;
- The call option is exercisable at the discretion of the Group at or above fair value; and
- The sale price and the price of other services provided by the Group to Bravo were determined at arm's length.

**Key sources of estimation uncertainty**

**Revenue recognition – variable consideration**

The Group is a party to profit sharing and loss corridor arrangements (see note 3(j)). These arrangements adjust the consideration that the Group is entitled to for satisfying its performance obligations, and the amount and timing of revenue subject to profit sharing or loss corridor arrangements is inherently uncertain.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**4 Critical accounting judgements and estimates** (Cont.)

**Key sources of estimation uncertainty** (Cont.)

**Revenue recognition – variable consideration** (Cont.)

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

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

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

As at 31 December 2018, a loss corridor liability of £6.3m is recognised in trade and other payables and a variable profit commission of £4.4m is recognised in contract assets.

**Enhanced Transfer Values (ETV) provision**

Certain subsidiaries within the Group have obligations to make redress payments in respect of historical pension transfer advice. The ETV provision of £51m (2017: £51m) represents management’s present estimate of the Group’s liability in relation to anticipated ETV costs.

The value of provision for this liability is sensitive to assumptions made for average redress and the overall population of cases reviewed which are judged as being unsuitably advised. The redress programme continues to remain at an early stage and there remains uncertainty regarding the ultimate cost, which may therefore differ materially from this estimate.

The provision will be reviewed during the course of the redress programme as the Group gains experience of actual redress payments. See note 32 for further information.

**Impairment of assets**

The Group tests annually whether goodwill and other assets that have indefinite useful lives have suffered any impairment. Other assets 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 of an asset or cash-generating unit (or group of cash-generating units) is performed by comparing its 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 (VIU), where its VIU is the present value of its future cash flows. An impairment test requires the application of significant judgement because it relies on key assumptions, including forecast cash flows, a discount rate, a terminal growth rate and an EBITDA multiple.

Forecast cash flows are determined by considering historical and business performance, by overlaying it with assumptions to reflect areas where growth or income improvement is expected, and by taking into account the expected results of cost management programmes to which the Group is committed. These forecasts are extrapolated to subsequent years using a steady growth rate being the RPI inflation rate of 3% per annum, and a terminal value is calculated using the perpetual growth model. The discount rate of 11% that is applied to the forecasts is a market participant weighted average cost of capital calculated by reference to the Capital Asset Pricing Model.

The fair value of the Group is calculated as 12 x forecast 2019 Adjusted EBITDA, where the 12 multiple is based on recent transactions in the insurance broking industry and on information provided by external advisors, but is nevertheless an assumption. The fair value of an operating segment is estimated by apportioning the fair value of the Group between the operating segments based on the VIU of each operating segment. The estimated costs of disposal are assumed, based on market experience, to be 1.5% of the fair value of the operating segment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**4 Critical accounting judgements and estimates** (Cont.)

**Key sources of estimation uncertainty** (Cont.)

**Impairment of assets** (Cont.)

Further details of the annual impairment test, and of the assumptions made, are set out in note 13.

**Errors and omissions liability**

During the ordinary course of business, the Group can be subject to claims for errors and omissions made in connection with its broking activities. A provision is established in respect of such claims when it is probable that the liability has been incurred and the amount of the liability can be reasonably estimated. The Group analyses its litigation exposures based on available information, including external legal consultation where appropriate, to assess its potential liability.

The outcome of the currently pending and future proceedings, in relation to errors and omissions and other matters, cannot be predicted with certainty. Thus, an adverse decision in a current or future lawsuit could result in additional costs that are not covered, either wholly or partially, under insurance policies and that are in excess of the presently established provisions. It is possible therefore that the financial position, results of operations or cash flows of the Group could be materially affected by the unfavourable outcome of litigation.

The Group is carrying a provision in relation to litigation matters of £10.9m as at 31 December 2018 (2017: £3.5m). See note 32 for further information.

**Acquisition accounting**

The acquisition in 2018 of Swinton, and in 2017 the acquisitions of Nevada (including Price Forbes and Autonet), Chase Templeton and Direct Group, Healthy Pets, Carole Nash and Mastercover, was accounted for under IFRS 3 'Business Combinations', which requires that the identifiable assets acquired and liabilities assumed to be measured at their acquisition date fair value. Intangible assets are recognised on a business combination, and an allocation of goodwill to those intangible assets is estimated. IFRS 3 allows adjustments to the provisional values to be recognised provided that they are identified and substantiated within a period which does not exceed one year from the acquisition date.

The amounts recognised in the financial statements for the acquisition of Swinton (see note 15) are provisional and adjustments are expected during the remainder of the measurement period, including in relation to the completion accounts mechanism that is set out in the sale and purchase agreement. The Group engaged independent experts to assist in the identification and valuation of intangible assets. See note 3 for further information on the approach used to estimating these fair values.

**Useful lives of intangible assets**

The Group has recognised a number of intangible assets resulting from business combinations, including those referred to in the previous paragraph. The useful lives of these intangible assets have been estimated. See note 3 for further information on the approach used to estimating useful lives.

**5 Segmental analysis**

Under IFRS 8 'Operating Segments', the Group determines and presents operating segments based on the information that is provided to the Group Executive Committee, which is the Group's chief operating decision maker. The Group's operating segments were redefined in the second quarter of 2018 to reflect the revised presentation of information to the Group Executive Committee. The current operating segments reflect the Group's operational structure and comparative values have been restated on this basis. Segments are reviewed and revised as necessary following structural changes within the Group or acquisitions of new companies.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**5 Segmental analysis** (Cont.)

The Group Executive Committee assesses the performance of the segments based on various income statement measures. The Group Executive Committee assesses the financial position of the Group on a consolidated Group basis and therefore does not regularly receive measures of total assets or total liabilities on an operating segment basis. Accordingly, no financial position measures are reported within the Group's operating segment disclosures.

The results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Of the total income disclosed in the consolidated income statement, £91.5m is attributable to sales made outside the UK.

Commissions and fees represent the Group's revenue from contracts with customers which is recognised in accordance with IFRS 15. The Group's operating segments reflect its disaggregation of revenue.

Descriptions of the Group's segments can be found in Section 1 – Background and Structure.

| Year ended 31 December 2018 | Insurance Broking | Schemes & Programmes | Specialty & International | MGA | Payment-shield | Retail | Corporate[1] | Total |
|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Continuing operations** | | | | | | | | |
| Commission and fees | 162,892 | 83,595 | 93,483 | 47,160 | 53,600 | 76,487 | 4,684 | 521,901 |
| Other income | — | 182 | — | — | — | 2,077 | 313 | 2,572 |
| Investment income | — | — | 1,420 | — | — | 24 | 662 | 2,106 |
| Salaries and associated costs | (103,144) | (39,296) | (61,074) | (42,520) | (15,182) | (27,115) | (3,041) | (291,372) |
| Other operating costs | (44,801) | (42,450) | (28,728) | (23,198) | (11,538) | (31,844) | (28,652) | (211,211) |
| Impairment of financial assets | (535) | (80) | (781) | (824) | (79) | (2,762) | — | (5,061) |
| Depreciation and amortisation charges | (11,026) | (19,473) | (7,217) | (10,343) | (8,133) | (10,661) | (4,431) | (71,284) |
| Adjustment to goodwill in respect of prior years | (462) | (1,436) | — | (1,197) | — | — | — | (3,095) |
| Fair value gain on derivatives | — | — | — | — | — | — | 2,485 | 2,485 |
| Share of profit from joint venture | — | — | — | — | — | 1,777 | — | 1,777 |
| **Operating profit/(loss)** | 2,924 | (18,958) | (2,897) | (30,922) | 18,668 | 7,983 | (27,980) | (51,182) |
| Finance income | — | 1 | 262 | — | — | 11 | 259 | 533 |
| Finance costs | (2) | (9) | (327) | (1) | (3) | — | (94,313) | (94,655) |
| Gain on disposal | — | 19 | — | — | — | — | 7,482 | 7,501 |
| **Profit/(loss) before tax** | 2,922 | (18,947) | (2,962) | (30,923) | 18,665 | 7,994 | (114,552) | (137,803) |
| Tax credit/(charge) | 691 | 3,889 | 1,967 | 3,958 | (3,149) | (1,659) | 20,482 | 26,179 |
| **Profit/(loss) for the year** | 3,613 | (15,058) | (995) | (26,965) | 15,516 | 6,335 | (94,070) | (111,624) |

1 The Price Forbes Group (which is included within the Specialty & International segment) applies hedge accounting to its forward contract derivatives which hedge forecast future sales and it was applying this policy when acquired by the Group on 22 June 2017. The Group applied hedge accounting to its forward contracts derivatives from 9 October 2017. The amounts in the cash flow hedging reserve are recycled to revenue (Commission and fees) when the hedged revenue is recognised. A £4.7m increase to revenue is included in the Corporate column, recognising the reversal of the Price Forbes entry plus an amount recycled by the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5 Segmental analysis (Cont.)

| Year ended 31 December 2017 | Insurance Broking | Schemes & Programmes | Specialty & International | MGA | Payment-shield | Retail | Corporate | Total |
|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Continuing operations | | | | | | | | |
| Commission and fees | 152,224 | 69,971 | 46,307 | 58,384 | 59,746 | 22,977 | (9) | 409,600 |
| Other income | — | — | — | — | — | — | 711 | 711 |
| Investment income | — | — | 15 | — | 1 | 2 | 131 | 149 |
| Salaries and associated costs | (100,329) | (37,418) | (35,871) | (42,730) | (16,479) | (8,515) | (3,567) | (244,909) |
| Other operating costs | (40,376) | (26,365) | (15,741) | (17,957) | (13,022) | (9,556) | (103,585) | (226,602) |
| Impairment of financial assets | (537) | (297) | (138) | (730) | 18 | (921) | — | (2,605) |
| Depreciation and amortisation charges | (8,791) | (18,021) | (3,391) | (10,647) | (8,869) | (2,972) | (4,217) | (56,908) |
| Impairment of intangible assets | — | (15) | — | (76,806) | — | — | (7,696) | (84,517) |
| Fair value gain on derivatives | — | — | 6,289 | — | — | — | — | 6,289 |
| Share of profit from joint venture | — | — | — | — | — | 47 | — | 47 |
| Share of loss from associate | — | — | — | — | — | — | (1,139) | (1,139) |
| Operating profit/(loss) | 2,191 | (12,145) | (2,530) | (90,486) | 21,395 | 1,062 | (119,371) | (199,884) |
| Finance income | 1 | — | 448 | 7 | — | 2 | 273 | 731 |
| Finance costs | (22) | (13) | (123) | (13) | (2,795) | (2,493) | (71,976) | (77,435) |
| Dividends received | — | — | — | 38 | — | — | — | 38 |
| Profit/(loss) before tax | 2,170 | (12,158) | (2,205) | (90,454) | 18,600 | (1,429) | (191,074) | (276,550) |
| Tax credit/(charge) | 231 | 3,234 | 375 | 3,767 | (2,656) | 121 | (1,776) | 3,296 |
| Profit/(loss) attributable to continuing operations | 2,401 | (8,924) | (1,830) | (86,687) | 15,944 | (1,308) | (192,850) | (273,254) |
| Total for the year attributable to discontinued operations net of tax | — | — | — | — | — | — | 12,398 | 12,398 |
| Profit/(loss) for the year | 2,401 | (8,924) | (1,830) | (86,687) | 15,944 | (1,308) | (180,452) | (260,856) |

### 6 Profit or loss items

The following items have been charged/(credited) in arriving at operating loss:

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| Amortisation of intangible fixed assets | | |
| Software costs | **15,643** | 10,999 |
| Other intangible assets | **47,878** | 38,999 |
| Depreciation on property, plant and equipment | | |
| Owned assets | **7,750** | 6,867 |
| Leased assets under finance leases | **13** | 43 |
| **Depreciation and amortisation charges** | **71,284** | 56,908 |

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| Minimum lease payments | | |
| Land and buildings | **12,987** | 13,210 |
| Other assets | **6,470** | 2,656 |
| **Operating lease rentals expense** | **19,457** | 15,866 |

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| Impairment of goodwill and intangible assets | **—** | 84,517 |
| **Other charges during the year** | **—** | 84,517 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 7 Investment income

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| Interest income – fiduciary funds | **2,106** | 149 |
| | **2,106** | 149 |

The Group's investment income arises from its holdings of cash and investments relating to fiduciary funds. Equivalent average cash and investment balances during the year amounted to £93.0m (2017: £120.7m) which were denominated principally in sterling. The average return for 2018 was 0.06% (2017: 0.12%).

### 8 Finance income and finance costs

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| **Financial assets measured at amortised cost** | | |
| Interest income – own funds | **515** | 720 |
| Interest income – discount unwind | **2** | 6 |
| Interest income – other | **16** | 5 |
| **Financial liabilities measured at amortised cost** | | |
| Unwinding of discount on financial liabilities | **(9,119)** | (8,034) |
| Interest expense: Bank and other borrowings | **(83,631)** | (68,554) |
| Interest expense: Commitment fee for letter of credit | **(1,285)** | — |
| Interest expense: Shareholders' loans | **(326)** | (123) |
| **Other finance costs and interest expense** | | |
| Interest on deferred consideration | **(9)** | — |
| Finance leases | **(3)** | (6) |
| Overdue tax | **(28)** | (2) |
| Unwinding of discount on provisions | **(254)** | (716) |
| **Net finance costs** | **(94,122)** | (76,704) |
| **Analysed as:** | | |
| Finance income | **533** | 731 |
| Finance costs | **(94,655)** | (77,435) |
| **Net finance costs** | **(94,122)** | (76,704) |

Transaction costs of £9.5m (2017: £28.3m) were capitalised during 2018 as a result of issuing notes in June and December 2018 and the arrangement of the RCF facility.

In June 2017 the Group's £425m 8.75% senior secured notes and £75.0m floating rate super senior secured notes were repaid. Interest incurred on these notes prior to repayment was £33.1m and a further £4.8m was recognised as unwind of the discount as part of accounting for these at amortised cost.

During the year, the interest expense on the Group's existing c.£1,145.8m of senior secured notes totalled £81.7m (2017: £35.5m). A further £6.0m was recognised during the year relating to the unwind of the discount on these instruments as part of accounting for these at amortised cost (2017: £2.9m).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 9 Employee information

**Salaries and associated expenses**

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| Wages and salaries | **253,487** | 216,711 |
| Social security costs | **28,287** | 23,252 |
| Other pension costs | **9,598** | 4,946 |
| | **291,372** | 244,909 |

**Analysis of employees**

| Average number of Group employees during the year | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Administration | **2,709** | 2,434 |
| Sales | **2,812** | 3,459 |
| Management | **397** | 303 |
| | **5,918** | 6,196 |

**Key management compensation**

Key management personnel are defined as senior management and the Board. Their compensation during the year was as follows:

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| Fees, salaries and other short-term benefits | **11,065** | 9,498 |
| Post-employment benefits | **110** | 87 |
| | **11,175** | 9,585 |

**Directors' remuneration**

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| Aggregate emoluments | **6,795** | 4,796 |
| Company contributions to money purchase pension scheme | **92** | 31 |
| | **6,887** | 4,827 |

The aggregate emoluments of the highest paid Director were £5.2m (2017: £3.2m) and company pension contributions of £0.1m (2017: £nil) were made to a money purchase scheme on their behalf.

Retirement benefits are accruing in money purchase schemes for four Directors (2017: 2).

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

**Long-term incentives**

See note 3 for the accounting policy for long-term incentive schemes, and note 32 for details of the provision recognised in respect of these schemes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 10 Auditor's remuneration

During the year, the Group obtained the following services from the Company's auditor and its associates. The amounts in the table are all inclusive of irrecoverable VAT:

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| Fees payable for the audit of the parent company and the consolidated financial statements | **73** | 55 |
| Fees payable for other services | | |
| Audit of subsidiaries pursuant to legislation | **1,743** | 1,462 |
| Audit related assurance services | **360** | 514 |
| Tax compliance services | **25** | 120 |
| Services relating to corporate finance transactions | **465** | 1,624 |
| All other services | **1,552** | 194 |
| | **4,218** | 3,969 |

### 11 Discontinued operations and disposals

On 22 March 2016, the Group agreed to sell the entire issued share capital of The Broker Network Limited and Countrywide Insurance Management Limited (together, Broker Network), each a wholly owned subsidiary of the Group, to funds advised by HPS, The Ardonagh Group Limited's majority shareholder. The transaction completed on 1 July 2016. The consideration for the acquisition was satisfied in part by the allotment to the Group of approximately 19.9% of the shares in the acquisition vehicle, Bravo Investment Holdings Limited, partly through an initial cash consideration of £29.0m, and partly through contingent consideration of up to a further £17.2m if certain events and performance measures occurred in the period to 30 September 2017. The Group recognised a £12.4m asset during 2017 in relation to this contingent consideration, and £12.4m was subsequently received in cash in January 2018. For further information on the associate acquired see note 17.

The results of Broker Network were classified as discontinued operations within the consolidated income statement in 2017. The income statement impact of the recognising the aforementioned £12.4m asset in 2017 is classified within discontinued operations and is attributable to the owners of the parent.

#### Results of discontinued operations

| Network division | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| Income | — | — |
| Expenses | — | — |
| Profit before tax of discontinued operations | — | — |
| Tax credit | — | — |
| Result from operating activities net of tax | — | — |
| Profit on sale of discontinued operations | — | 12,398 |
| **Profit for the year on discontinued operations** | — | 12,398 |

There were no cash flows in 2018 or 2017 that were attributable to discontinued operations except for the contingent consideration received in relation to the sale which is noted above. This is classified as investing cash flows.

On 16 October 2018, the Group announced the sale of the URIS Group's (previously Direct Group's) claims business with immediate effect. The fair value of the consideration for the sale is £26.5m, comprising £25.5m of cash and £1m being the fair value of contingent consideration.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11 Discontinued operations and disposals (Cont.)

**Results of discontinued operations** (Cont.)

Details of assets and liabilities disposed of and the consideration received are set out in the table below.

| | 31 December 2018 |
|---|---|
| | £000 |
| Non-current assets | |
| Intangible assets | **20,340** |
| Property, plant and equipment | **635** |
| | **20,975** |
| Current assets | |
| Trade and other receivables | **14,740** |
| Cash and cash equivalents (see below) | **6,997** |
| | **21,737** |
| Current liabilities | |
| Trade and other payables | **(17,754)** |
| Provisions | **(133)** |
| | **(17,887)** |
| Non-current liabilities | |
| Deferred tax liabilities | **(1,643)** |
| **Total net assets** | **23,182** |
| **Satisfied by:** | |
| Proceeds received—initial consideration | **25,500** |
| Deferred consideration receivable | **952** |
| Costs to sell | **(3,251)** |
| | **23,201** |
| Profit on disposal | **(19)** |
| | **23,182** |
| **Cash and cash equivalents disposed of, is split by type as follows:** | |
| Own funds | **1,716** |
| Fiduciary funds | **5,281** |
| | **6,997** |

### 12 Income and deferred taxes

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| Deferred tax – current year | **29,240** | 4,206 |
| Corporation tax – current year | **(131)** | — |
| Deferred tax – adjustment in respect of prior year | **(1,717)** | (864) |
| Corporation tax – adjustment in respect of prior year | **(1,213)** | (46) |
| **Income tax credit** | **26,179** | 3,296 |

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| Deferred tax through Other Comprehensive Income | **(1,159)** | 2,425 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 12 Income and deferred taxes (Cont.)

Income taxes of £3.9m were charged directly to equity on transition to IFRS 15 on 1 January 2018 (see note 3(s)).

The tax on the Group's loss before tax differs from the theoretical amount that would arise from applying the UK corporation tax rate for the year of 19% (2017: 19.25%, being the average rate due to the tax rate change in 2017) to the consolidated losses of the Group, as follows:

| | 31 December 2018 | 31 December 2018 |
|---|---|---|
| | £000 | £000 |
| Loss before taxation on continuing operations | **(137,803)** | (276,550) |
| Tax calculated at UK corporation tax rate of 19% (2017: 19.25%) | **26,183** | 53,236 |
| Expenses not deductible for tax purposes | **(797)** | (17,161) |
| Effect of disposal of subsidiaries | **1,409** | — |
| Tax losses for which no deferred tax asset is recognised | **2,174** | (27,262) |
| Deferred tax charge/(credit) regarding changes in tax rates or laws | **229** | (4,122) |
| Losses carried back to prior year | **—** | (489) |
| Tax adjustment in respect of prior years | **(2,930)** | (910) |
| Other | **(89)** | 4 |
| **Income tax credit on continuing operations** | **26,179** | 3,296 |

#### Future tax impacts

A reduction in the UK corporation tax rate to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This reduction, from the existing rate of 19%, will reduce the Company's future current tax charge/credit.

The net deferred tax liability at 31 December 2018 has been calculated based on the rates disclosed in the above paragraph.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13 Intangible assets

The tables below provide a schedule of movements in the carrying amount of intangible assets held on the statement of financial position as at 31 December 2018.

| 2018 - Cost | Goodwill | Commission buy outs | Customer relationships | Distribution network |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Beginning of year | 756,974 | 12,664 | 309,830 | 109,270 |
| Adjustment on transition to IFRS15 | — | (12,664) | — | — |
| Adjustments to goodwill in respect of prior years | (3,095) | — | — | — |
| Additions | 129 | — | 7,445 | — |
| Acquisitions | 35,821 | — | 28,545 | — |
| Disposals | — | — | — | — |
| Transfer between classes | (1,599) | — | — | — |
| Transfer from property, plant and equipment | — | — | — | — |
| Disposals of subsidiaries | (8,952) | — | (10,091) | — |
| Held for sale assets | (14,122) | — | (7,386) | (6,668) |
| **End of year** | **765,156** | **—** | **328,343** | **102,602** |

| 2018 - Cost | Assets under construction | Brand | Computer software | Intellectual property | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Beginning of year | 22,268 | 47,619 | 54,188 | 2,254 | 1,315,067 |
| Adjustment on transition to IFRS15 | — | — | — | — | (12,664) |
| Adjustments to goodwill in respect of prior years | — | — | — | — | (3,095) |
| Additions | 9,953 | 7 | 11,920 | — | 29,454 |
| Acquisitions | — | 5,228 | 11,147 | — | 80,741 |
| Disposals | (2,347) | — | (2,398) | — | (4,745) |
| Transfer between classes | (3,115) | — | 4,714 | — | — |
| Transfer from property, plant and equipment | — | — | 344 | — | 344 |
| Disposals of subsidiaries | (304) | — | (2,617) | — | (21,964) |
| Held for sale assets | — | (1,819) | (4,717) | — | (34,712) |
| **End of year** | **26,455** | **51,035** | **72,581** | **2,254** | **1,348,426** |

The balances at the beginning of the year as at 31 December 2017 have been restated following the acquisition of Carole Nash on 20 December 2017. The previously reported financial statements as at 31 December 2017 recognised the excess of consideration over the fair value of net assets acquired entirely as goodwill. During the measurement period in 2018 intangible assets and an associated deferred tax liability have been recognised and restated in the financial statements at 31 December 2017.

Included within computer software as at 31 December 2018 was internally generated software (which comprises internal and third-party costs) of £19.9m. Internally generated software increased during the year by £3.4m, due to additions of £3.9m and disposals of £(0.5)m.

Included within assets under construction as at 31 December 2018 was internally generated assets under construction (which comprise internal and third-party costs) of £12.9m. Internally generated assets under construction increased during the year by £2.0m, due to additions of £3.0m and projects transferred to computer software of £(1.0)m.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13 Intangible assets (Cont.)

The allocation for goodwill, intangible assets and deferred tax liabilities associated with the Carole Nash acquisition had not been completed as at 31 December 2017. The allocation was made during 2018 and so the 31 December 2017 balances were restated.

| 2018 - Amortisation | Goodwill | Commission buy outs | Customer relationships | Distribution network |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Beginning of year | 86,400 | 7,807 | 40,107 | 29,842 |
| Adjustment on transition to IFRS15 | — | (7,807) | — | — |
| Charge for the year | — | — | 29,182 | 10,760 |
| Disposals | — | — | (1,051) | — |
| Held for sale assets | — | — | (2,551) | (2,327) |
| **End of year** | **86,400** | **—** | **65,687** | **38,275** |

| 2018 - Amortisation | Assets under construction | Brand | Computer software | Intellectual property | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Beginning of year | — | 16,944 | 26,297 | 32 | 207,429 |
| Adjustment on transition to IFRS15 | — | — | — | — | (7,807) |
| Charge for the year | — | 7,372 | 15,643 | 564 | 63,521 |
| Disposals | — | — | (573) | — | (1,624) |
| Held for sale assets | — | (1,269) | (2,149) | — | (8,296) |
| **End of year** | **—** | **23,047** | **39,218** | **596** | **253,223** |

Included within computer software amortisation as at 31 December 2018 was internally generated software amortisation of £7.5m. Internally generated software amortisation during the year was £3.0m.

| 2018 - Net book value (NBV) | Goodwill | Commission buy outs | Customer relationships | Distribution network |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Cost at the end of year | 765,156 | — | 328,343 | 102,602 |
| Amortisation at end of year | (86,400) | — | (65,687) | (38,275) |
| **End of year** | **678,756** | **—** | **262,656** | **64,327** |

| 2018 - Net book value (NBV) | Assets under construction | Brand | Computer software | Intellectual property | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Cost at the end of year | 26,455 | 51,035 | 72,581 | 2,254 | 1,348,426 |
| Amortisation at end of year | — | (23,047) | (39,218) | (596) | (253,223) |
| **End of year** | **26,455** | **27,988** | **33,363** | **1,658** | **1,095,203** |

Included within computer software NBV as at 31 December 2018 was internally generated software NBV of £12.4m.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13 Intangible assets (Cont.)

The tables below provide a schedule of movements in the carrying amount of intangible assets held on the statement of financial position as at 31 December 2017.

| 2017 Restated - Cost | Goodwill | Commission buy outs | Customer relationships | Distribution network |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Beginning of year | 498,781 | 12,289 | 118,250 | 108,370 |
| Additions | — | 375 | 2,946 | 900 |
| Acquisitions | 342,293 | — | 188,634 | — |
| Write off | — | — | — | — |
| Disposals | — | — | — | — |
| Impairment | (84,100) | — | — | — |
| End of year | 756,974 | 12,664 | 309,830 | 109,270 |

| 2017 Restated - Cost | Assets under construction | Brand | Computer software | Intellectual property | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Beginning of year | 9,724 | 29,556 | 37,635 | — | 814,605 |
| Additions | 10,865 | 119 | 7,018 | — | 22,223 |
| Acquisitions | 2,866 | 17,944 | 10,045 | 2,254 | 564,036 |
| Write off | (1,187) | — | — | — | (1,187) |
| Disposals | — | — | (93) | — | (93) |
| Impairment | — | — | (417) | — | (84,517) |
| End of year | 22,268 | 47,619 | 54,188 | 2,254 | 1,315,067 |

Included within computer software as at 31 December 2017 was internally generated software of £16.5m. Internally generated software increased during 2017 by £3.9m, due to additions of £1.3m and acquisitions of subsidiaries of £2.6m.

Included within assets under construction as at 31 December 2017 was internally generated assets under construction of £10.9m.

Impairment of computer software in 2017 related principally to the corporate segment.

| 2017 - Amortisation | Goodwill | Commission buy outs | Customer relationships | Distribution network |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Beginning of year | 86,400 | 5,759 | 20,665 | 18,965 |
| Charge for the year | — | 2,048 | 19,442 | 10,877 |
| End of year | 86,400 | 7,807 | 40,107 | 29,842 |

| 2017 - Amortisation | Assets under construction | Brand | Computer software | Intellectual property | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Beginning of year | — | 10,344 | 15,298 | — | 157,431 |
| Charge for the year | — | 6,600 | 10,999 | 32 | 49,998 |
| End of year | — | 16,944 | 26,297 | 32 | 207,429 |

Included within computer software amortisation as at 31 December 2017 was internally generated software amortisation of £4.6m. Internally generated software amortisation during the year was £2.4m.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13 Intangible assets (Cont.)

| 2017 Restated - Net book value (NBV) | Goodwill | Commission buy outs | Customer relationships | Distribution network |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Cost at the end of year | 756,974 | 12,664 | 309,830 | 109,270 |
| Amortisation at end of year | (86,400) | (7,807) | (40,107) | (29,842) |
| End of year | 670,574 | 4,857 | 269,723 | 79,428 |

| 2017 Restated - Net book value (NBV) | Assets under construction | Brand | Computer software | Intellectual property | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Cost at the end of year | 22,268 | 47,619 | 54,188 | 2,254 | 1,315,067 |
| Amortisation at end of year | — | (16,944) | (26,297) | (32) | (207,429) |
| End of year | 22,268 | 30,675 | 27,891 | 2,222 | 1,107,638 |

Included within computer software NBV as at 31 December 2017 was internally generated software NBV of £12.0m.

Amortisation of goodwill at 31 December 2017 of £86.4m relates to an impairment of Towergate Retail, one of the Group's operating segments at that time.

A summary of goodwill allocated to each operating segment is presented below:

| | 31 December 2017 Goodwill | Acquisitions and disposals | Intersegment reclassifications | Other adjustments | 31 December 2018 Goodwill |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Retail | **135** | **33** | **—** | **—** | **168** |
| Paymentshield | **88** | **—** | **(4)** | **—** | **84** |
| Insurance Broking | **131** | **1** | **27** | **(1)** | **158** |
| Schemes & Programmes | **148** | **(9)** | **(23)** | **(1)** | **115** |
| MGA | **61** | **—** | **—** | **(15)** | **46** |
| Specialty & International | **108** | **—** | **—** | **—** | **108** |
| **At 31 December 2018** | **671** | **25** | **—** | **(17)** | **679** |

'Intersegment reclassifications' include transfers of businesses and assets across operating segments, and the reclassification of goodwill and profits across operating segments. 'Other adjustments' include adjustments to goodwill in respect of prior years (see note 15) and reclassification of the MGA commercial lines goodwill to held for sale.

Goodwill is tested for impairment annually, and whenever there is an indication that it may be impaired. The annual impairment test was performed as at 31 December in 2017 and in previous years, but it was performed as at 30 September in 2018 and will be performed on this date in subsequent years. The change in the date of the annual impairment test will enable more time to be dedicated to this exercise and is thus expected to result in the provision of more reliable information.

Goodwill is, for the purposes of impairment testing, allocated to cash generating units (CGUs) or groups of CGUs expected to benefit from the business combination associated with that goodwill, where a CGU is the smallest identifiable group of assets that generate independent cash inflows. The segments (see note 5) were redefined in the second quarter of 2018 and management now reviews business performance based on the redefined operating segments (as listed in the table above), each of which comprises one or more CGUs. The operating segments now represent the lowest level within the Group at which goodwill is monitored for internal management purposes, so the annual impairment test as at 30 September 2018 was performed by reference to the operating segments.

An impairment test of goodwill is performed by comparing the carrying amount of each operating segment (i.e. CGU or group of CGUs), including the goodwill, with the recoverable amount of the operating segment. The recoverable amount of an operating segment is the higher of its fair value less costs to sell (FVLCS) and its value in use (VIU), where the VIU of the operating segment is the present value of its future cash flows. If the recoverable amount of an operating segment is lower than its carrying amount, an impairment loss is recognised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13 Intangible assets (Cont.)

The impairment test of the operating segments as at 30 September 2018 did not result in an impairment charge to goodwill. The key data is summarised in the tables below:

| Table 1<br>30 September 2018 | Goodwill 31 December 2017 | Acquisitions and disposals | Intersegment reclassification | Adjusted Goodwill |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Retail | 135 | — | — | **135** |
| Paymentshield | 88 | — | (4) | **84** |
| Insurance Broking | 131 | 1 | 27 | **159** |
| Schemes & Programmes | 148 | (9) | (23) | **116** |
| MGA | 61 | (14) | — | **47** |
| Specialty & International | 108 | — | — | **108** |
| | 671 | (22) | — | **649** |

| Table 2<br>30 September 2018 | FVLCS | VIU | Recoverable amount |
|---|---|---|---|
| | £m | £m | £m |
| Retail | 308 | 347 | **347** |
| Paymentshield | 236 | 267 | **267** |
| Insurance Broking | 476 | 537 | **537** |
| Schemes & Programmes | 193 | 218 | **218** |
| MGA | 103 | 116 | **116** |
| Specialty & International | 341 | 384 | **384** |
| | 1,657 | 1,869 | **1,869** |

| Table 3<br>30 September 2018 | Adjusted goodwill | Carrying amount | Recoverable amount | Headroom |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Retail | 135 | 233 | 347 | **114** |
| Paymentshield | 84 | 121 | 267 | **146** |
| Insurance Broking | 159 | 284 | 537 | **253** |
| Schemes & Programmes | 116 | 189 | 218 | **29** |
| MGA | 47 | 92 | 116 | **24** |
| Specialty & International | 108 | 217 | 384 | **167** |
| | 649 | 1,136 | 1,869 | **733** |

Further information is provided below about the amounts in the preceding tables:

### Goodwill

The 'Intersegment reclassifications' column in table 1 reflects the impact on goodwill of the reclassification during the period to 30 September 2018 of the Caring Professional business from the Schemes & Programmes operating segment to the Insurance Broking operating segment, and the transfer of the Health & Protect business and assets from the Paymentshield operating segment to the Schemes & Programmes operating segment. The term 'Adjusted' has been used to describe the goodwill as at 30 September 2018 in tables 1 and 3 because the 'Acquisitions and disposals' column in table 1 reflects the disposal by the Group of Direct Group Property Services Limited and its subsidiaries and of the MGA commercial lines business and assets (together 'the disposals') even though those disposals occurred after 30 September 2018. This is to ensure that the goodwill and thus the carrying amount of the segment is determined in a way that is consistent with the recoverable amount, which is based on forecasts that reflect the disposals as if they had already occurred.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13 Intangible assets (Cont.)

**Carrying amount**

The 'Carrying amount' column in table 3 includes the carrying amounts of the operating segments. These amounts are determined by grossing up the adjusted goodwill of each operating segment for the non-controlling interest, by adding the net assets of each operating segment to these amounts, and by allocating the net assets of the Corporate non-operating segment (after adding back external debt) across the operating segments based on the net assets of each operating segment.

**Value in use (VIU)**

The 'VIU' column in table 2 includes the present value of future cash flows of the operating segments together with an allocation of the cash flows of the Corporate non-operating segment, where the cash flows are based on the most recent three-year forecast for Adjusted EBITDA as approved by management, pro forma for completed transactions as at 30 September 2018 with the exception that the disposals have been reflected as if they have already occurred (see the 'Goodwill' section above). These forecasts were determined by considering historical and business performance, by overlaying it with assumptions to reflect areas where growth or income improvement is expected, and by taking into account the expected results of cost management programmes to which the Group is committed. The 2021 forecast is extrapolated to subsequent years using a steady growth rate being the RPI inflation rate of 3% per annum, and a terminal value is calculated using the perpetual growth model. The discount rate of 11% that has been applied to the forecasts is a market participant weighted average cost of capital calculated by reference to the Capital Asset Pricing Model.

**Fair value less costs to sell (FVLCS)**

The 'FVLCS' column in table 2 is determined by reference to the fair value of Group, which is calculated as 12 x 2019 Adjusted EBITDA (calculated on the same basis as set out in the 'Value in use' section above), where the 12 multiple is based on recent transactions in the insurance broking industry and on information provided by external advisors. The fair value of an operating segment is estimated using a valuation technique that makes use of level 3 inputs, in accordance with IFRS 13 Fair Value Measurement, specifically by apportioning the fair value of the Group between the operating segments based on the VIU of each operating segment. The estimated costs of disposal, which are assumed based on market experience to be 1.5% of the fair value of the operating segment, are then deducted to determine the FVLCS of the operating segment.

**Recoverable amount**

The 'Recoverable amount' column in tables 2 and 3 is equal to the VIU for all operating segments, as VIU is greater than FVLCS in all cases.

The key assumption to which the VIU and thus the recoverable amount is most sensitive is the three-year forecast for Adjusted EBITDA. If the three-year forecast for Adjusted EBITDA was decreased by 13.5%, there would be an impairment to the Schemes & Programmes operating segment. If the forecast was instead decreased by 20.3%, there would also be an impairment to the MGA operating segment. If the forecast was instead decreased by 33.2%, there would also be an impairment to the Retail operating segment. No further reasonably possible change in this assumption alone would result in an impairment to any other operating segment. Brexit is not considered to be a key estimation uncertainty that would impact on the forecasts used for the goodwill impairment review.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13 Intangible assets (Cont.)

**Year ended 31 December 2017**

A summary of goodwill allocated to each CGU identified at 31 December 2017 is presented below:

| | 31 December 2016 | Restated Purchased goodwill | Impairment | Restated 31 December 2017 |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Advisory | 81 | — | — | 81 |
| Retail | 100 | — | — | 100 |
| Bishopsgate | 6 | 1 | — | 7 |
| Underwriting | 138 | — | (77) | 61 |
| Paymentshield | 88 | — | — | 88 |
| Autonet | — | 92 | — | 92 |
| Price Forbes | — | 101 | — | 101 |
| Chase Templeton | — | 49 | — | 49 |
| Direct Group | — | 42 | — | 42 |
| Healthy Pets | — | 6 | — | 6 |
| Carole Nash | — | 43 | — | 43 |
| Mastercover | — | 1 | — | 1 |
| | 413 | 335 | (77) | 671 |

Purchased goodwill as at 31 December 2017 has been restated following the acquisition of Carole Nash on 20 December 2017. The previously reported financial statements as at 31 December 2017 recognised the excess of consideration over the fair value of net assets acquired entirely as goodwill. During the measurement period in 2018 intangible assets and an associated deferred tax liability have been recognised and restated in the financial statements at 31 December 2017.

A further impairment of £7.3m has been recognised in respect of the acquisition of Nevada Investment Topco Limited on 22 June 2017, which resulted in the creation of a £7.3m goodwill balance. As Nevada Investment Topco Limited is an intermediate holding company in the Group, this goodwill balance was considered to be impaired and written off at the date of acquisition. In addition, £0.4m impairment has been recognised in respect of intangible assets in development. These assets are not allocated to a CGU and are within the Corporate division.

Goodwill is tested for impairment by comparing the carrying value of the CGU to which the goodwill has been allocated to the recoverable value of that CGU. The recoverable value of each CGU is determined as the higher of its fair value less costs to sell (FVLCS) or its value in use (VIU). For the year ending 31 December 2017, the recoverable value was higher on a FVLCS basis for eleven of the twelve CGUs identified. The recoverable value of the Chase Templeton CGU was higher on a VIU basis. All five CGUs in existence at 31 December 2016 were tested on a FVLCS basis which is consistent with the current period.

**Fair Value Less Costs to Sell**

The Group's FVLCS has been calculated on an enterprise valuation basis by adding the value derived for the Group's equity to the fair value of its net debt, less an allowance for costs to sell. The equity valuation is derived on the basis of share transactions taking place during the year. Borrowings have been valued by reference to the debt's quoted market price as at the reporting date.

The FVLCS of the new CGUs arising from acquisitions completed in the year has been determined by taking into account the consideration transferred for equity/debt acquired less an allowance for costs to sell.

In allocating the Group FVLCS to the pre-existing CGUs, the sum of the FVLCS attributable to these new CGUs was deducted from the Group's total FVLCS. The residual FVLCS was then apportioned to each of the pre-existing CGUs on the basis of their relative proportion of the Group's total forecast cash flows into perpetuity. This was calculated, by applying a terminal growth rate of 1.8% and discounting these cash flows back to present value, using a post-tax discount rate of 12%. This allocation basis most accurately reflects the perspectives of external market participants as it incorporates the Group's future investment plans and strategic objectives of the Group in the value attributed to each CGU.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**13 Intangible assets** (Cont.)

**Fair Value Less Costs to Sell** (Cont.)

The FVLCS is considered a Level 3 valuation in the fair value hierarchy.

The Underwriting CGU's FVLCS of £96.6m was less than its carrying value resulting in an impairment of £76.8m.

This impairment charge in the Underwriting CGU has been driven by a requirement to undertake remedial action across a number of portfolios leading to reduced premium income but improved underwriting loss performance in future years. This essential action ensures the future continuity with our capacity providers. In addition to remediation, the investments made within GEO Specialty and GEO International have taken longer than anticipated to actively start trading, all investments and new product offerings are now fully live for 2018.

The value attributed to the remaining CGUs using a FVLCS basis is in excess of their respective carrying values. Therefore, no impairment of goodwill is necessary in these CGUs for the year ending 31 December 2017.

A reduction of the FVLCS of the Price Forbes (£1.7m), Healthy Pets (£1.1m) or Mastercover (£0.1m) CGUs would result in an impairment of these CGUs. These are all new CGUs acquired in the reporting period and their recoverable amounts have been ascertained by reference to their purchase price.

**Key assumptions and sensitivity analysis**

**Enterprise Valuation**

Weighted average value per share

The equity valuation of the Group is supported by the following share transactions which took place during the year:

1. In Q1 a rights issue with a subscription price per share of £1.00 was announced and fully subscribed
2. In Q2 the acquisition of Nevada was transacted on a share-for-share basis supported by a fairness opinion completed by a firm of valuation experts. Subsequently, existing shareholders were given an opportunity to acquire additional shares in the Group in the form of Convertible Equity Certificates (CECs) at a subscription price of £1.00 per share. This offer was taken up by minority shareholders who acquired an additional £23.0m CECs
3. In Q4 convertible loan notes were issued in consideration for the purchase of non-controlling interest converted to equity on a £1: £1 basis

The weighted average value per share is calculated at £1 based on these transactions.

A reduction of £0.01 in the weighted average value per share would result in a further impairment of £0.7m in the Underwriting CGU.

No reasonably possible change in this assumption alone would result in the impairment of any other CGU.

**Fair Value of borrowings**

The fair value of the outstanding debt used in the FVLCS calculation was £862.4m (note 24). This represents the fair value of the Group's quoted non-current borrowings at the reporting date.

A 1% reduction in the fair value would result in further impairment of £0.6m in the Underwriting CGU. No reasonably possible change in this assumption alone would result in the impairment of any pre-existing CGUs.

**Value-in-use**

The VIU of each CGU was determined from a discounted future cash flow analysis using management's most recent Board-approved three-year plan. The recoverable amount of the Chase Templeton CGU was calculated to be higher on a VIU basis than on a FVLCS basis. The following paragraphs address the key assumptions and sensitivities analysis in respect of Chase Templeton's VIU.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13 Intangible assets (Cont.)

**Key assumptions and sensitivity analysis** (Cont.)

**Value-in-use** (Cont.)

VIU in respect of this CGU was calculated after applying the following discount and terminal growth rates:

| | Post-tax discount rate | Pre-tax discount rate | Terminal growth rate |
|---|---|---|---|
| Chase Templeton | 12.0% | 13.3% | 1.8% |

**Discount rate**

The VIU calculation has been completed using a post-tax weighted average cost of capital (WACC) of 12%. The post-tax WACC rate used is taken from a range of rates used by external advisors in valuing intangible assets acquired through business combinations in the year. The pre-tax discount rates disclosed above have been deduced from the VIU model as permitted by accounting standards.

No reasonable possible change in the post-tax discount rate applied to cash flow projections would have resulted in an impairment of the Chase Templeton CGU.

**Terminal growth rate**

The terminal growth rate of 1.8% is in line with forecast GDP growth for the UK.

**Income Growth Rate/Expense Ratio**

Cash flow forecasts assume that on average income will increase by 19.4%, and the expense ratio will decrease by 2.1% over the three-year period of the plan.

Growth rates and expected future cash flows were arrived at using management estimates, past experience and available market statistics. An assessment of non-committed initiatives embedded in the plan has been made and these have been excluded from the discounted cash flow analysis as appropriate.

**Sensitivity analysis**

Change in assumption required to trigger an impairment

Scenario analysis has been modelled in which each of the key assumptions above have been changed independently in order to determine whether any reasonably possible change in these key assumptions would lead to an impairment of the Chase Templeton CGU. A reduction in average growth rates by 2.1% over the three-year plan period would trigger an impairment.

A reduction in the terminal growth rate to 0% would also result in an impairment of the Chase Templeton CGU.

No other reasonably possible changes in key assumptions would result in impairment of this CGU.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14 Property, plant and equipment

The tables below provide a schedule of the movements in the carrying amount of property, plant and equipment held on the statement of financial position at 31 December 2018.

| 2018 - Cost | Freehold property | Leasehold improvements | Assets under construction | Furniture and office equipment |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Beginning of year | 4,161 | 13,578 | 110 | 2,981 |
| Additions | 36 | 364 | 153 | 383 |
| Acquisitions | 4,394 | 5,480 | — | — |
| Disposals | — | (2,231) | — | (566) |
| Disposals of subsidiaries | — | — | — | — |
| Transfer to intangible assets | — | — | — | — |
| Assets classified as held for sale | — | — | — | — |
| **End of year** | **8,591** | **17,191** | **263** | **2,798** |

| 2018 - Cost | Computer equipment | Fixtures and fittings | Motor vehicles | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Beginning of year | 23,672 | 8,783 | 277 | 53,562 |
| Additions | 1,101 | 661 | 22 | 2,720 |
| Acquisitions | 2,779 | 93 | — | 12,746 |
| Disposals | (587) | (86) | (118) | (3,588) |
| Disposals of subsidiaries | (762) | (866) | — | (1,628) |
| Transfer to intangible assets | (344) | — | — | (344) |
| Assets classified as held for sale | — | (182) | — | (182) |
| **End of year** | **25,859** | **8,403** | **181** | **63,286** |

| 2018 - Depreciation | Freehold property | Leasehold improvements | Assets under construction | Furniture and office equipment |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Beginning of year | 709 | 3,080 | — | 1,622 |
| Charge for the year | 116 | 1,722 | — | 589 |
| Transfer between classes | — | — | — | (111) |
| Disposals | — | (983) | — | (453) |
| Disposals of subsidiaries | — | — | — | — |
| Assets classified as held for sale | — | — | — | — |
| **End of year** | **825** | **3,819** | **—** | **1,647** |

| 2018 - Depreciation | Computer equipment | Fixtures and fittings | Motor vehicles | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Beginning of year | 12,355 | 3,926 | 180 | 21,872 |
| Charge for the year | 4,307 | 986 | 43 | 7,763 |
| Transfer between classes | — | 111 | — | — |
| Disposals | (567) | (86) | (106) | (2,195) |
| Disposals of subsidiaries | (680) | (313) | — | (993) |
| Assets classified as held for sale | — | (169) | — | (169) |
| **End of year** | **15,415** | **4,455** | **117** | **26,278** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14 Property, plant and equipment (Cont.)

| 2018 - Net book value (NBV) | Freehold property | Leasehold improvements | Assets under construction | Furniture and office equipment |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Cost at the end of year | 8,591 | 17,191 | 263 | 2,798 |
| Depreciation at end of year | (825) | (3,819) | — | (1,647) |
| **NBV at end of year** | **7,766** | **13,372** | **263** | **1,151** |

| 2018 - Net book value (NBV) | Computer equipment | Fixtures and fittings | Motor vehicles | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Cost at the end of year | 25,859 | 8,403 | 181 | 63,286 |
| Depreciation at end of year | (15,415) | (4,455) | (117) | (26,278) |
| **NBV at end of year** | **10,444** | **3,948** | **64** | **37,008** |

As at 31 December 2018, assets included in motor vehicles above that were held under finance leases amounted to less than £0.1m.

The tables below provide a schedule of the movements in the carrying amount of property, plant and equipment held on the statement of financial position at 31 December 2017.

| 2017 - Cost | Freehold property | Leasehold improvements | Assets under construction | Furniture and office equipment |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Beginning of year | — | 4,561 | 3,404 | 1,048 |
| Additions | 7 | 4,434 | — | 264 |
| Acquisitions | 4,154 | 2,889 | — | 1,194 |
| Disposals | — | — | (276) | — |
| Transfer between classes | — | 1,694 | (3,018) | 475 |
| End of year | 4,161 | 13,578 | 110 | 2,981 |

| 2017 - Cost | Computer equipment | Fixtures and fittings | Motor vehicles | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Beginning of year | 12,212 | 2,752 | 237 | 24,214 |
| Additions | 3,125 | 967 | 25 | 8,822 |
| Acquisitions | 7,545 | 5,115 | 71 | 20,968 |
| Disposals | (71) | (39) | (56) | (442) |
| Transfer between classes | 861 | (12) | — | — |
| End of year | 23,672 | 8,783 | 277 | 53,562 |

| 2017 - Depreciation | Freehold property | Leasehold improvements | Assets under construction | Furniture and office equipment |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Beginning of year | — | 1,145 | — | 382 |
| Charge for the year | 50 | 1,479 | — | 442 |
| Acquisitions | 659 | 456 | — | 781 |
| Transfer between classes | — | — | — | 17 |
| Disposals | — | — | — | — |
| End of year of year | 709 | 3,080 | — | 1,622 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14 Property, plant and equipment (Cont.)

| 2017 - Depreciation | Computer equipment | Fixtures and fittings | Motor vehicles | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Beginning of year | 2,722 | 779 | 135 | 5,163 |
| Charge for the year | 4,194 | 695 | 50 | 6,910 |
| Acquisitions | 5,527 | 2,491 | 46 | 9,960 |
| Transfer between classes | (17) | — | — | — |
| Disposals | (71) | (39) | (51) | (161) |
| End of year of year | 12,355 | 3,926 | 180 | 21,872 |

| 2017 - Net book value (NBV) | Freehold property | Leasehold improvements | Assets under construction | Furniture and office equipment |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Cost at end of year | 4,161 | 13,578 | 110 | 2,981 |
| Depreciation at end of year | (709) | (3,080) | — | (1,622) |
| NBV at end of year | 3,452 | 10,498 | 110 | 1,359 |

| 2017 - Net book value (NBV) | Computer equipment | Fixtures and fittings | Motor vehicles | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Cost at end of year | 23,672 | 8,783 | 277 | 53,562 |
| Depreciation at end of year | (12,355) | (3,926) | (180) | (21,872) |
| NBV at end of year | 11,317 | 4,857 | 97 | 31,690 |

As at 31 December 2017, assets included in motor vehicles above that were held under finance leases amounted to less than £0.1m.

### 15 Business combinations

In line with the Group's highly selective acquisition strategy the following acquisitions were made during the year ended 31 December 2018 to provide an entrance into, or an enhancement of, our footprint in specific markets:

- On 28 February 2018 and 28 March 2018 Towergate Underwriting Group Limited (TUGL), a subsidiary of the Group, completed the acquisition of certain business and assets, disclosed in the table below as portfolio purchases.
- On 31 December 2018, the Group acquired the Swinton Group by purchasing the entire issued share capital of Swinton (Holdings) Limited for cash consideration of £145.8m (subject to the completion accounts mechanism set out in the sale and purchase agreement).

The following adjustment was also made:

- An additional contingent consideration payment of £0.03m in relation to the 2017 acquisition of Healthy Pets.
- Adjustments to goodwill in respect of prior years, comprising £1.4m relating to the acquisition of Healthy Pets Limited in 2017 and £1.7m relating to the acquisition of Towergate in 2015.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 15 Business combinations (Cont.)

The table below presents the impact of the acquisitions and adjustments:

| | Swinton | Portfolio purchases | Adjustments | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Purchase consideration** | | | | |
| Cash paid | 145,757 | 954 | 30 | 146,741 |
| Contingent consideration | — | 295 | — | 295 |
| Adjustment to goodwill in respect of prior years | — | — | (3,095) | (3,095) |
| **Total purchase consideration** | **145,757** | **1,249** | **(3,065)** | **143,941** |
| **Assets and liabilities as a result of the acquisitions** | | | | |
| Cash and cash equivalents | 3,353 | — | — | 3,353 |
| Investments | 3 | — | — | 3 |
| Tangible assets | 12,746 | — | — | 12,746 |
| Receivables | 135,990 | — | (1,623) | 134,367 |
| Payables | (70,766) | — | — | (70,766) |
| Provisions | (10,399) | — | — | (10,399) |
| Deferred tax | 3,196 | — | — | 3,196 |
| **Net assets acquired** | **74,123** | **—** | **(1,623)** | **72,500** |
| Customer relationships | 28,083 | 462 | — | 28,545 |
| Brand | 5,224 | 4 | — | 5,228 |
| Computer Software | 11,147 | — | 1,599 | 12,746 |
| Deferred tax | (6,116) | (89) | — | (6,205) |
| **Net identifiable intangible assets acquired** | **38,338** | **377** | **1,599** | **40,314** |
| Goodwill | 33,296 | 872 | (3,041) | 31,127 |
| **Total purchase consideration** | **145,757** | **1,249** | **(3,065)** | **143,941** |

Contingent consideration of up to £0.3m is payable on the portfolio purchases made during 2018 dependent upon business performance and adherence to sales agreements.

The amounts recognised in the financial statements in relation to the Swinton acquisition are provisional and adjustments may be identified during the remainder of the measurement period.

The amounts in the table above are preliminary and thus subject to adjustment during a period of up to one year following the acquisition date. The consideration transferred for an acquisition and the identifiable assets and liabilities acquired are measured at their fair values, the difference being goodwill. Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised.

The acquisitions contributed negligible revenue and profit to the Group during the year ended 31 December 2018. If the acquisitions had completed on the first day of the year, Group revenues would have been £146.3m higher and the Group loss for the period would have been £4.4m higher.

Acquisition costs of £3.6m were expensed in the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 16 Transactions with non-controlling interests

**For the year ended 31 December 2018**

The Group purchased from non-controlling interests an additional 16.8% of the total A and B Ordinary shares of Price Forbes Holdings Limited for £8.9m. It also purchased from non-controlling interests D and E shares of Price Forbes Holdings Limited, for a consideration of £0.8m. The majority of the 17% non-non-controlling interest in Price Forbes Holdings Limited was purchased during the year for £9.7m with an increase in equity attributable to owners of the parent of £3.0m being recognised.

The Group also purchased from non-controlling interests the remaining 5% of the issued shares of B.I.B.U Acquisitions Limited, for £0.6m. The carrying amount of the 5% non-controlling interest in B.I.B.U Acquisition Limited, immediately prior to the purchase, was £nil. The Group recognised a decrease in equity attributable to owners of the parent of £0.6m.

The effect on the equity attributable to the owners of Price Forbes Holdings Limited and of B.I.B.U Acquisitions Limited during the period is summarised as follows:

| | Price Forbes Holdings 2018 | B.I.B.U. Acquisitions 2018 |
|---|---|---|
| | £000 | £000 |
| Carrying amount of non-controlling interests purchased | **12,746** | — |
| Consideration paid to non-controlling interests | **(9,711)** | (620) |
| Excess/(deficit) recognised in the non-controlling interests reserve attributable to owners of the parent | **3,035** | (620) |

**For the year ended 31 December 2017**

The Group purchased from non-controlling interests an additional 4.8% of the issued shares of Price Forbes Holdings Limited, for £8.8m. The carrying amount of the existing 21.8% non-controlling interest in Price Forbes Holdings Limited, immediately prior to the purchase, was £13.7m. The Group recognised a £3.0m decrease in this amount to £10.7m and a decrease in equity attributable to owners of the parent of £5.8m.

The Group also purchased from non-controlling interests the remaining 1.45% of the issued shares of Nevada Investments 5 Limited, for £0.7m. The carrying amount of the 1.45% non-controlling interest in Nevada Investments 5 Limited, immediately prior to the purchase, was £(0.1)m. The Group recognised a £1.0m increase in this amount to £nil and a decrease in equity attributable to owners of the parent of £0.8m.

The effect on the equity attributable to the owners of Price Forbes Holdings Limited and of Nevada Investments 5 Limited during the period is summarised as follows:

| | Price Forbes Holdings 2017 | Nevada Investments 5 2017 |
|---|---|---|
| | £000 | £000 |
| Carrying amount of non-controlling interests purchased | 2,996 | (129) |
| Consideration paid to non-controlling interests | (8,774) | (626) |
| Deficit of consideration paid recognised in the non-controlling interests reserve attributable to owners of the parent | (5,778) | (755) |

Note 39 contains additional information on the proportion of ownership of entities with non-controlling interests.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 17 Investment in associate and joint venture

#### Associate

| Investment in associate | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| At the start of the year | **5,356** | 6,495 |
| Share of loss for the year | **—** | (1,139) |
| Disposal | **(5,356)** | — |
| **At the end of the year** | **—** | 5,356 |

On 1 July 2016, the Group acquired a 19.9% share in Bravo Investment Holdings Limited (Bravo), which is incorporated and based in the UK. Just prior to this, Bravo acquired The Broker Network Limited and Countrywide Insurance Management Limited from Towergate Insurance Limited, a subsidiary in the Group. Bravo provides third party brokers with access to insurance products and a variety of business support services. Bravo was accounted for using the equity method in these consolidated financial statements, which is set out in the Group's accounting policy (note 3).

On 19 January 2018, the Group disposed of its shareholding in Bravo to Nevada Investment Holdings 2 Limited, a related party of the Ardonagh Group due to common shareholders. £30.0m cash was received on disposal. The cash received, plus a further £1.2m, is subject to a contingent clawback mechanism based on the equity value at 19 January 2020.

At the time of disposal, the £30.0m cash received was recognised and £20.0m was recorded as a deferred proceeds liability, resulting in a gain on disposal of associate of £4.6m. At 31 March 2018, the fair value of the contingent consideration payable was reassessed based on the current equity value of Broker Network, resulting in an additional £3.3m of gain on disposal being recognised. No further gain or loss on disposal was recorded as at 31 December 2018.

When the Group owned 19.9% of Bravo there was an agreement in place in respect of the equity of Bravo which included certain minority protection rights, rights in respect of share transfers and a long-term option arrangement over remaining shares in Bravo. This option was exercisable by the Group at or above market value and therefore the associated derivative has no fair value. This agreement was retained, with minor amendments, after the disposal of the associate.

Summarised financial information in respect of the Group's interest in Bravo is set out below:

| Investment in associate | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| Non-current assets | — | 66,411 |
| Current assets | — | 38,875 |
| Non-current liabilities | — | (68,470) |
| Current liabilities | — | (25,266) |
| **Equity attributable to the owners of the parent** | — | 11,550 |

| Investment in associate | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| **Revenue** | — | 23,151 |
| **Loss after tax** | — | (5,722) |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 17 Investment in associate and joint venture (Cont.)

**Joint venture**

| Investment in joint venture | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| At the start of the year | **2,763** | — |
| On acquisition of subsidiaries | **—** | 2,716 |
| Disbursement | **(1,200)** | — |
| Share of profit for the year | **1,777** | 47 |
| **At the end of the year** | **3,340** | 2,763 |

The Group has a participating interest in Carole Nash Legal LLP, a legal practice. Carole Nash Insurance Consultants Limited, a subsidiary company of the Group, owns 50% of the total equity of Carole Nash Legal LLP.

Summarised financial information in respect of the Group's interest in Carole Nash Legal Services LLP is set out below:

| Investment in joint venture | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| Current assets | **4,430** | 3,562 |
| **Equity attributable to the owners of the parent** | **4,430** | 3,562 |

| Investment in joint venture | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| **Revenue** | **3,964** | 3,547 |
| **Profit after tax** | **2,349** | 2,074 |

### 18 Cash and cash equivalents

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| Own funds | **112,534** | 48,115 |
| Own funds – restricted | **46,017** | 32,628 |
| Fiduciary funds | **346,405** | 252,173 |
| | **504,956** | 332,916 |

Included within own funds at 31 December 2018 is £27.6m of cash in an escrow account (2017: £nil). This was transferred into the Group's normal own funds account in January 2019.

Restricted own funds comprise:

- £13.1m as at 31 December 2018 (2017: £10.0m) of restricted cash kept in segregated accounts for claim settlements in relation to the disposal of the Towergate Financial business by Towergate Insurance Limited, an intermediate holding company within the Group.
- £22.9m as at 31 December 2018 (2017: £22.6m) of restricted cash kept in segregated accounts pursuant to the FCA's Threshold Condition 2.4 (applicable to the insurance broking industry), for ensuring that funds are available to pay any costs and expenses necessary to achieve an orderly wind down of the Group's business in the event its broking operations cease to operate or are otherwise closed. The amount of cash required to be held is determined by management and agreed by the FCA.
- A further £10.0m of cash that is restricted in respect of the acquisition of Swinton.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 18 Cash and cash equivalents (Cont.)

Fiduciary funds represent client money used to pay premiums to underwriters, to settle claims to policyholders and to defray commission and other income. Fiduciary funds are not available for general corporate purposes.

### 19 Trade and other receivables

The Group had exposures at 31 December 2018 to numerous individual trade counterparties within trade receivables. In accordance with Group policy, trade receivable balances are continually monitored against credit limits and concentration of risk. No individual trade counterparty credit exposure is considered significant in the ordinary course of trading activity. The maximum exposure to credit risk at the reporting date is the carrying value of the receivables. The Group does not hold any collateral as security.

| | 31 December 2018 | Restated 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| Trade receivables | **181,201** | 50,892 |
| Less: expected credit loss allowance/provision for impairment | **(7,993)** | (4,973) |
| Trade receivables – net | **173,208** | 45,919 |
| Prepayments | **26,320** | 18,660 |
| Accrued income | **9,750** | 16,211 |
| Other receivables | **35,651** | — |
| Other debtors | **22,625** | 22,253 |
| Related party debtors | **4,210** | 1,915 |
| Contingent consideration receivable | **952** | 12,398 |
| | **272,716** | 117,356 |
| Current | **255,216** | 117,356 |
| Non-current | **17,500** | — |
| | **272,716** | 117,356 |

As a result of adopting IFRS 15 from 1 January 2018, amounts of variable consideration related to contracts with customers that were previously presented as trade and other receivables are presented as contract assets (see note 3(s) and note 20).

Other receivables include amounts recognised on a business combination in relation to the Group's right to variable consideration on rolling contracts with customers for which the performance obligation was satisfied prior to the acquisition. These receivables are classified as FVTPL.

### 20 Contract balances

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| **Contract assets** | **12,594** | — |
| Current | **10,315** | — |
| Non-current | **2,279** | — |
| **Contract liabilities** | | |
| Post-placement performance obligations | **(7,773)** | — |
| Other deferred income | **(10,052)** | — |
| | **(17,825)** | — |
| **Current** | **(15,400)** | — |
| **Non-current** | **(2,425)** | — |
| | **17,825** | — |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20 Contract balances (Cont.)

Contract assets are amounts of revenue recognised by the Group that are subject to variability. Variable consideration is a key source of estimation uncertainty (see note 4). The decrease in contract assets during the year ending 31 December 2018 (not visible from the above table as the comparative period is stated on an IAS 18 and not an IFRS 15 basis) relates mainly to less profit commission accrued due to adverse underwriting results of the insurer. The estimated revenue relating to profit commission that was recognised in 2018 on policies incepted prior to 2018 amounts to £3.3m. This is due to re-estimation of amounts previously recognised and relaxation of the constraint on revenue as amounts become more certain.

Contract liabilities represent the Group's obligation to transfer services to customers for which the Group has received the consideration (or the amount is due) from the customer. The Group recognised revenue of £11.9m in 2018 that was included in the opening balance of contract liabilities.

The Group applies the practical expedient in IFRS 15 not to disclose information about the transaction price associated with performance obligations to be completed after the reporting date, if the performance obligation is part of a contract that has an original expected duration of one year or less.

With respect to contracts with an original expected duration of more than a year, the aggregate amount of transaction price allocated to performance obligations that are unsatisfied (or partially satisfied) as of the reporting date is £7.8m. This amount is expected to be recognised as revenue as follows:

| | 31 December 2018 |
|---|---|
| | £000 |
| Within 12 months of the reporting date | **5,356** |
| Between 12-24 months of the reporting date | **1,039** |
| More than 24 months after the reporting date | **1,377** |
| | **7,772** |

### 21 Other assets

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| Costs to fulfil contracts with customers | **6,724** | — |
| Costs to obtain contracts with customers | **13,248** | — |
| | **19,972** | — |
| Current | **16,266** | — |
| Non-current | **3,706** | — |
| | **19,972** | — |

The Group's costs to fulfil balance at each reporting period reflects salaries and other costs of customer-facing employees who undertake activities necessary to satisfy anticipated contracts with the customer. This is subsequently released to profit or loss when the Group recognises the relating revenue from those contracts, which is usually soon after the reporting date (1-3 months). The net impact on profit or loss for the year ended 31 December 2018 was a decrease in staff costs of £2m.

Costs to obtain include incremental fees paid to aggregator websites for obtaining new business and are amortised, on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates, over the average life of the relationship with the customer. Amortisation amounting to £9.7m was recognised in profit or loss during the year ended 31 December 2018.

There was no impairment loss in relation to the costs capitalised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22 Cash generated from operations

| Cash flows from operating activities | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | **£000** | **£000** |
| Loss for the year after tax | **(111,624)** | (260,856) |
| Depreciation | **7,763** | 6,910 |
| Amortisation and impairment | **66,616** | 134,098 |
| Loss/(profit) on disposal of property, plant and equipment | **1,393** | (10) |
| Loss on disposal of intangible assets | **—** | 68 |
| Other costs | **490** | 15 |
| Net finance costs | **94,122** | 76,704 |
| Dividends received | **—** | (38) |
| Gain on disposal of businesses | **(3,770)** | (10,619) |
| Investment income | **(2,106)** | (149) |
| Share of profit from joint venture | **(1,777)** | (47) |
| Share of loss from associate | **—** | 1,139 |
| Tax credit | **(26,179)** | (3,296) |
| Fair value gain on derivatives | **(2,485)** | (6,289) |
| Recycling to revenue from the cash flow hedging reserve on forward contracts | **(318)** | — |
| (Increase)/decrease in trade and other receivables | **(68,822)** | 7,028 |
| Increase/(decrease) in trade and other payables* | **122,522** | (3,463) |
| Decrease in contract assets | **2,474** | — |
| Increase in other assets | **(8,672)** | — |
| Increase in contract liabilities | **2,108** | — |
| (Decrease)/increase in provisions for liabilities and charges | **(602)** | 41,150 |
| **Net cash inflow/(outflow) from operations** | **71,133** | (17,655) |

* Excluding insurance broking balances in 2017.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 23 Reconciliation of liabilities to cash flows arising from financing activities

| Year ended 31 December 2018 | Premium financing liabilities £000 | Trade and other payables £000 | Borrowings £000 | Financing cash flows relating to equity transactions £000 | Total £000 |
|---|---|---|---|---|---|
| **At the beginning of the year** | | **3,119** | **896,356** | **—** | **899,475** |
| **Cash flows from financing activities:** | | | | | |
| Proceeds from borrowings | — | — | 276,256 | — | 276,256 |
| Repayment of borrowings | — | — | (45,000) | — | (45,000) |
| Interest paid on borrowings | — | (875) | (78,163) | — | (79,038) |
| Proceeds from premium financing | 72,072 | — | — | — | 72,072 |
| Debt transaction costs | — | — | (6,406) | — | (6,406) |
| Acquisition of shares and payments to non-controlling interest | — | — | — | (4,518) | (4,518) |
| Settlement of shareholder loan notes | — | — | (4,867) | — | (4,867) |
| Purchase of own shares | — | — | — | (116) | (116) |
| Capital element of finance lease rental payments | — | — | (44) | — | (44) |
| | **72,072** | **(875)** | **141,776** | **(4,634)** | **208,339** |
| **Non-cash changes:** | | | | | |
| Adjustments to opening balances | — | (3,089) | (5,000) | — | (8,089) |
| Effect of changes in foreign exchange rates | — | — | 26,439 | — | 26,439 |
| Interest expense | — | 1,285 | 87,659 | — | 88,944 |
| Borrowing costs not yet settled | — | — | (2,878) | — | (2,878) |
| Equity related | — | — | — | 4,634 | 4,634 |
| **At the end of the year** | **72,072** | **440** | **1,144,352** | **—** | **1,216,864** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 23 Reconciliation of liabilities to cash flows arising from financing activities (Cont.)

| Year ended 31 December 2017 | Trade and other payables £000 | Borrowings £000 | Other financial liabilities £000 | Financing cash flows relating to equity transactions £000 | Total £000 |
|---|---|---|---|---|---|
| At the beginning of the year | 1,271 | 526,823 | 294 | — | 528,388 |
| Cash flows from financing activities: | | | | | |
| Proceeds from new loan notes | — | 864,136 | — | — | 864,136 |
| Proceeds from issue of shares | — | — | — | 62,082 | 62,082 |
| Proceeds from borrowings | — | 58,000 | — | — | 58,000 |
| Repayment of borrowings | — | (530,157) | (294) | — | (530,451) |
| Costs incurred on borrowings/equity | — | (25,919) | — | (1,236) | (27,155) |
| Interest paid on borrowings | — | (37,913) | — | (60) | (37,973) |
| Acquisition of shares and payments to non-controlling interest | — | — | — | (5,989) | (5,989) |
| Settlement of shareholder loan notes | — | (748) | — | — | (748) |
| Settlement of deferred consideration | (925) | — | — | — | (925) |
| Settlement of financial liabilities on acquisition | — | (128,919) | — | — | (128,919) |
| Capital element of finance lease rental payments | | (41) | — | — | (41) |
| | (925) | 198,439 | (294) | 54,797 | 252,017 |
| Non-cash changes: | | | | | |
| On acquisition of business | 2,693 | 117,441 | 12,041 | — | 132,175 |
| Effect of changes in foreign exchange rates | — | (24,492) | — | — | (24,492) |
| Interest expense | 80 | 80,485 | (39) | — | 80,526 |
| Borrowing costs not yet settled | — | (2,340) | — | — | (2,340) |
| Changes in fair value | — | — | 28,923 | — | 28,923 |
| Equity related | — | — | — | (54,797) | (54,797) |
| At the end of the year | 3,119 | 896,356 | 40,925 | — | 940,400 |

### 24 Financial instruments

#### Financial instruments classification

Note 3 provides a description of each category of financial assets and financial liabilities and the related accounting policies. The carrying amounts of the Group's financial assets and liabilities in each category are as follows:

| Financial assets | Derivatives used for hedging £000 | FVTPL £000 | Amortised cost £000 | FVTOCI £000 | Total £000 |
|---|---|---|---|---|---|
| **Unlisted investments** | **—** | **—** | **—** | **271** | **271** |
| **UCIS assets** | **—** | **42** | **—** | **—** | **42** |
| **Trade receivables excluding prepayments** | **—** | **—** | **173,208** | **—** | **173,208** |
| **Other receivables** | **—** | **36,603** | **36,585** | **—** | **73,188** |
| **Cash and equivalents** | **—** | **—** | **504,956** | **—** | **504,956** |
| **Derivatives** | **4,478** | **—** | **—** | **—** | **4,478** |
| **At 31 December 2018** | **4,478** | **36,645** | **714,749** | **271** | **756,143** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 24 Financial instruments (Cont.)

**Financial instruments classification** (Cont.)

| Financial assets | Derivatives used for hedging £000 | Loans and receivables £000 | Available for sale £000 | Total £000 |
|---|---|---|---|---|
| Available for sale assets | — | — | 305 | 305 |
| Trade and other receivables, excluding prepayments | — | 98,696 | — | 98,696 |
| Cash and cash equivalents | — | 332,916 | — | 332,916 |
| Derivatives | 1,270 | — | — | 1,270 |
| At 31 December 2017 | 1,270 | 431,612 | 305 | 433,187 |

| Financial liabilities | FVTPL £000 | Amortised cost £000 | Derivatives used for hedging £000 | Total £000 |
|---|---|---|---|---|
| **Borrowings** | **—** | **(1,144,352)** | **—** | **(1,144,352)** |
| **Trade and other payables, excluding deferred income** | **—** | **(409,508)** | **—** | **(409,508)** |
| **Contingent consideration** | **(1,575)** | **—** | **—** | **(1,575)** |
| **Deferred proceeds** | **(16,750)** | **—** | **—** | **(16,750)** |
| **Derivative liabilities** | **—** | **—** | **(13,132)** | **(13,132)** |
| **At 31 December 2018** | **(18,325)** | **(1,553,860)** | **(13,132)** | **(1,585,317)** |

| Financial liabilities | FVTPL £000 | Amortised cost £000 | Derivatives used for hedging £000 | Total £000 |
|---|---|---|---|---|
| Borrowings | — | (896,356) | — | (896,356) |
| Trade and other payables, excluding deferred income | (3,089) | (326,043) | — | (329,132) |
| Derivative liabilities | — | — | (40,925) | (40,925) |
| At 31 December 2017 | (3,089) | (1,222,399) | (40,925) | (1,266,413) |

The table below provides a schedule of movements in the carrying amount in the statement of financial position of financial assets classified as FVTPL and FVTOCI:

| Movements of assets classified as FVTPL and FVTOCI | Derivatives used for hedging £000 | Financial assets at FVTPL £000 | Financial assets at FVTOCI £000 | Total £000 |
|---|---|---|---|---|
| **As at 1 January 2018** | **1,270** | **37** | **268** | **1,575** |
| **Net fair value increase** | **3,208** | **18** | **—** | **3,226** |
| **Acquisition of companies** | **—** | **—** | **3** | **3** |
| **Disposals and settlements** | **—** | **(13)** | **—** | **(13)** |
| **As at 31 December 2018** | **4,478** | **42** | **271** | **4,791** |

As part of the UCIS redress process the Group was able to acquire, in some cases, illiquid assets held by claimants. These assets are classified as FVTPL and the Group intends to realise their cash value as soon as it is feasible to do so. The Group has designated all of its unlisted equity investments as FVTOCI because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. Dividends recognised in respect of the unlisted equity investments in the period amounted to £nil (2017: £nil).

As at 31 December 2018 trade and other receivables include an asset classified at FVTPL that was recognised on a business combination in relation to the Group's right to variable consideration on rolling contracts with customers for which the performance obligation was satisfied prior to the acquisition.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**24 Financial instruments** (Cont.)

**Financial instruments classification** (Cont.)

A description of the Group's risk management objectives and policies is provided in the Strategic Report.

The methods used to measure financial assets and liabilities reported at fair value are described in note 3.

**Fair value measurement**

Financial assets and liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly as prices, or indirectly derived from prices; and
- Level 3: unobservable inputs for the asset or liability.

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on an ongoing basis:

| At 31 December 2018 | Level 1<br>£000 | Level 2<br>£000 | Level 3<br>£000 | Total<br>£000 |
|---|---|---|---|---|
| **Financial assets at FVTPL** | | | | |
| UCIS recovered assets | **—** | **—** | **42** | **42** |
| Trade and other receivables | **—** | **—** | **36,604** | **36,604** |
| Cross-currency swaps used in cash flow hedges | **—** | **4,478** | **—** | **4,478** |
| **Financial assets at FVTOCI** | | | | |
| Unlisted investments | **—** | **—** | **271** | **271** |
| **Total financial assets at fair value** | **—** | **4,478** | **36,917** | **41,395** |
| Contingent consideration payable | **—** | **—** | **(1,575)** | **(1,575)** |
| Deferred proceeds | **—** | **—** | **(16,750)** | **(16,750)** |
| Foreign exchange forward contracts used in cash flow hedges | **—** | **(4,330)** | **—** | **(4,330)** |
| Cross-currency swaps used in cash flow hedges | **—** | **(8,802)** | **—** | **(8,802)** |
| **Total financial liabilities at fair value** | **—** | **(13,132)** | **(18,325)** | **(31,457)** |
| **Net fair value at 31 December 2018** | **—** | **(8,654)** | **18,592** | **9,938** |

| At 31 December 2017 | Level 1<br>£000 | Level 2<br>£000 | Level 3<br>£000 | Total<br>£000 |
|---|---|---|---|---|
| Available for Sale: UCIS recovered assets | — | — | 37 | 37 |
| Foreign exchange forward contracts used in cash flow hedges | — | 1,270 | — | 1,270 |
| Contingent consideration receivable | — | — | 12,398 | 12,398 |
| Total financial assets at fair value | — | 1,270 | 12,435 | 13,705 |
| Contingent consideration payable | — | — | (3,089) | (3,089) |
| Foreign exchange forward contracts used in cash flow hedges | — | (3,743) | — | (3,743) |
| Cross-currency swaps used in cash flow hedges | — | (37,182) | — | (37,182) |
| Total financial liabilities at fair value | — | (40,925) | (3,089) | (44,014) |
| Net fair value at 31 December 2017 | — | (39,655) | 9,346 | (30,309) |

There were no transfers between Levels 1, 2 and 3 in 2018 or 2017.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**24 Financial instruments** (Cont.)

**Fair value measurement** (Cont.)

The following valuation techniques are used for instruments categorised in Levels 2 and 3:

**Derivative financial instruments (Level 2)**

The Group's cross-currency swaps and foreign currency forward contracts are categorised within level 2 of the fair value hierarchy. These derivative contracts are not traded in an active market, but the fair value is determined using valuation techniques and available market data, such as forward exchange rates corresponding to the maturity of the contract observable at the consolidated statement of financial position date and an appropriate sector credit spread.

**UCIS recovered assets (Level 3)**

The UCIS recovered assets are held at their fair value and are categorised within level 3 of the fair value hierarchy. Where no professional valuation is available, they are recognised at their published net asset value with an appropriate adjustment applied to the published unit price to reflect their illiquid nature and potentially lower net realisable value.

**Trade and other receivables/Contingent consideration receivable (Level 3)**

At 31 December 2018, trade and other receivables include £1.0m at fair value in respect of the contingent consideration receivable on the sale of URIS Group's claims business disposal (note 11). Contingent consideration at 31 December 2017 of £12.4m represents contingent consideration at fair value receivable on the Broker Network sale (note 11). These are categorised within level 3 of the fair value hierarchy with the valuation based on management's best estimate of the profitability of Broker Network and the claims business for the relevant period, and on the earn out calculation as set out in the sale and purchase agreement between the Group and Bravo, the entity that purchased the majority share in Broker Network.

Also included in trade and other receivables at 31 December 2018 (2017: £nil) were assets at FVTPL that were recognised on a business combination in relation to the Group's right to variable consideration on rolling contracts with customers for which the performance obligation was satisfied prior to the acquisition. The fair value is a level 3 valuation and is calculated as the present value of future cash flows, where those cash flows take into account expected cancellation rates and the expected life of the underlying insurance product.

**Contingent consideration payable and deferred proceeds (Level 3)**

Trade and other payables include £16.7m (2017: £3.1m) that are designated as financial liabilities at fair value through profit or loss. The liabilities as at 31 December 2017 relate to performance related contingent consideration amounts on an acquisition made in 2017, and the sale of the Group's 19.9% interest in Bravo (deferred proceeds; see note 17). These amounts are categorised within level 3 of the fair value hierarchy. Techniques such as estimated discounted cash flows were used to determine their fair value in line with the calculation specified in the sale and purchase agreement. Financial liabilities in respect of contingent consideration are only written back if the Group receives confirmation from the vendor that there is no liability remaining.

**Unlisted investments at FVTOCI (Level 3)**

Unlisted investments are categorised within level 3 of the fair value hierarchy. The valuation technique applied is cost less any provision for impairment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 24 Financial instruments (Cont.)

**Fair value of non-current borrowings**

The fair values of non-current borrowings at fixed rates as at 31 December 2018 and 31 December 2017, which are categorised within level 2 of the fair value hierarchy, are as follows:

| | Carrying amount | Fair value |
|---|---|---|
| | £000 | £000 |
| **Senior Secured Notes at 31 December 2018** | **1,102,073** | **966,964** |
| Senior Secured Notes at 31 December 2017 | 816,064 | 863,169 |

The Directors consider the carrying amounts for trade and other receivables and trade and other payables to approximate their fair values.

**Financial instruments risk**

The Group is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk. As part of its overall governance and control arrangements, the Group operates a risk management framework (RMF) designed to identify, assess, manage, monitor and report on these risks.

The Group does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed are described below.

**Market risk analysis**

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk resulting from its operating activities.

**Foreign currency risk**

The Group's main exposure to foreign currency risk arises from: (1) its USD Notes, and (2) the settlement in foreign currency, principally US Dollars, of brokerage and fees relating to the placement of insurance business originating overseas.

The Group uses a combination of cross-currency swaps and foreign exchange forward contracts to manage foreign currency risk.

The objective of the Group's cross-currency swaps is to mitigate exposure to foreign currency risk on its USD Notes. The Group receives a USD coupon matching its interest obligations under the USD Notes, and pays a fixed GBP coupon at specified half-yearly intervals (January and July) until the maturity of the swap in July 2021.

The Group enters foreign exchange forward contracts to mitigate the exposure resulting from USD revenue arising on the placement of premiums denominated in USD, which is not the presentational nor functional currency of the Group.

Based on forecast transactions, the Group effectively sells USD revenue by reference to individual brokerage transactions.

For further information on hedge accounting please refer to note 30, Derivatives.

**Interest rate risk**

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. Long-term borrowings are therefore usually at fixed rates. The Group had £553.5m of 8.375% GBP Notes and USD755.0m of 8.625% USD Notes at 31 December 2018 (see note 29).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 24 Financial instruments (Cont.)

**Interest rate risk** (Cont.)

The Group is exposed to changes in market interest rates through the secured loan facility borrowings at variable interest rates. However, these borrowings are currently undrawn, so increases and decreases in the current interest rate would not therefore result in changes to the total annual interest of the Group.

**Credit risk analysis**

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk as it has a significant amount of trade accounts receivable from the insurance companies with which it places insurance. If those insurance companies experience liquidity problems or other financial difficulties, the Group could encounter delays or defaults in receipt of payments.

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at 31 December, as summarised below:

| | Year ended 31 December 2018 | Year ended 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| Cash and cash equivalents | **504,956** | 332,916 |
| Trade and other receivables excluding prepayments | **246,396** | 98,696 |
| Contract assets | **12,594** | — |
| Financial assets at FVTPL (2017: Available for sale) | **42** | 37 |
| Financial assets at FVTOCI (2017: Available for sale) | **271** | 268 |
| | **764,259** | 431,917 |

Counterparty balances are monitored as part of the credit control process. Significant balances are actively managed through the Group's ongoing strategic insurer relationship programme.

The Group had certain trade receivables at 31 December 2018 that had not been settled by the contractual due date but that were not considered to be impaired.

The credit risk for cash and cash equivalents, money market funds and derivative financial instruments is considered negligible as the counterparties are reputable financial institutions with high quality external credit ratings. The Group does not hold any collateral as security.

**Credit quality analysis**

The following table sets out details of the age of trade receivables that are not overdue as well as an analysis of overdue amounts impaired and ECL recognised at 31 December 2018:

| | Expected credit loss rate | Estimated total gross carrying amount at default | Lifetime ECL | Total |
|---|---|---|---|---|
| | % | £000 | £000 | £000 |
| **Not past due** | **(0.5)** | **94,521** | **(440)** | **94,081** |
| **Past due:** | | | | |
| - not more than three months | **(3.5)** | **54,513** | **(1,912)** | **52,601** |
| - more than three months but not more than six months | **(4.0)** | **11,579** | **(466)** | **11,113** |
| - more than six months but not more than a year | **(6.9)** | **10,264** | **(710)** | **9,554** |
| - more than a year | **(43.2)** | **10,324** | **(4,465)** | **5,859** |
| **At 31 December 2018** | **(4.4)** | **181,201** | **(7,993)** | **173,208** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 24 Financial instruments (Cont.)

**Credit quality analysis** (Cont.)

The following table sets out details of the age of trade receivables that are not overdue as well as an analysis of overdue amounts impaired and provided for at 31 December 2017:

| | Trade receivables | Provision for impairment | Net trade receivables |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Not overdue** | 15,660 | (315) | 15,345 |
| **Past due:** | | | |
| - not more than three months | 21,012 | (476) | 20,536 |
| - more than three months but not more than six months | 7,974 | (424) | 7,550 |
| - more than six months but not more than a year | 2,222 | (1,088) | 1,134 |
| - more than one year | 4,024 | (2,670) | 1,354 |
| At 31 December 2017 | 50,892 | (4,973) | 45,919 |

**Liquidity risk analysis**

Liquidity risk is the risk that the Group might be unable to meet its obligations.

The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecasting cash inflows and outflows due in day-to-day business. The Group is cash generative and has an active cash management process. The Group Treasury function undertakes short term cash flow forecasting and closely monitors and manages the Group's cash balances. Immediate liquidity is available from the RCF (note 29) should any short-term financing be required. Drawings permissible under the RCF are limited by the Group's credit facility arrangements, which take into account the arrangements that are in place to address ETV liabilities. The RCF facility had not been utilised as at 31 December 2018.

### 25 Expected credit losses (ECL) and ECL allowance

The estimated ECL for the current year were calculated based on actual credit loss experience over two years by division. Actual credit loss experience is adjusted by scalar factors to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. The scalar factors are based on GDP and unemployment rate forecasts and include the following:

- GDP: A 23.53% increase in the growth in GDP is expected, from 1.28% in 2018 to 1.58% in 2019, which indicates that historical credit loss experience should be decreased (source: HM Treasury 'Forecasts for the UK Economy'); and
- Unemployment rate: A 0.62% increase in unemployment rates is expected, from 4.05% in 2018 to 4.08% in 2019, which indicates that historical credit loss experience should be increased (source: HM Treasury 'Forecasts for the UK Economy').

The net impact of the above scalar factors is to indicate that historical credit loss experience should be decreased. Historical credit loss experience was not therefore changed as it is only increased as a result of considering scalar factors, not decreased, as it is assumed that the ECL model results in a higher and not lower provision for losses than the historical credit loss model.

ECL is measured on the basis that the counterparties are a single group and the calculation is not further distinguished between the Group's different customer types.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 25 Expected credit losses (ECL) and ECL allowance (Cont.)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9:

| Lifetime ECL | Not credit impaired | | | |
|---|---|---|---|---|
| | Collectively assessed | Individually assessed | Credit impaired | Total |
| | £000 | £000 | £000 | £000 |
| Balance at 31 December 2017 under IAS 39 | (3,239) | (1,734) | — | (4,973) |
| Adjustment on transition to IFRS 9 | (239) | — | — | (239) |
| **Net remeasured ECL at 1 January 2018** | **(3,478)** | **(1,734)** | **—** | **(5,212)** |
| Amounts written off | 3,816 | 178 | — | 3,994 |
| Amounts recovered | 141 | — | — | 141 |
| Change in loss allowance due to new trade receivables net of those derecognised for settlement | (4,532) | (622) | — | (5,154) |
| Foreign exchange gains and losses | — | (164) | — | (164) |
| Changes in credit risk parameters | 116 | — | — | 116 |
| Acquisition of companies | (1,666) | — | (48) | (1,714) |
| **Balance at 31 December 2018** | **(5,603)** | **(2,342)** | **(48)** | **(7,993)** |

The net expected credit losses recognised for trade receivables have been included in the statement of profit or loss as a separate line item.

Movements in the Group provision for impairment of trade receivables for the year ended 31 December 2017 were as follows:

| Provision for impairment | Trade receivables |
|---|---|
| | £000 |
| Beginning of the year | (2,765) |
| Acquisitions | (2,515) |
| Increase in expected credit loss/impairment | (2,605) |
| Receivables written off during the year as uncollectable | 2,912 |
| Total current trade and other receivables | (4,973) |

Provisions for receivables impairment during 2017 have been restated to distinguish between acquisitions and movement in expected credit loss.

### 26 Cash flow hedging reserves

The Group has economic hedge relationships that mitigate foreign exchange risks arising from its USD Notes and USD revenue. It applies hedge accounting for those hedge relationships that meet the hedge accounting criteria. Further details of the hedging criteria and information on cross-currency swaps and foreign exchange forward contracts that the Group uses can be found in note 30.

The following table indicates the periods in which the not discontinued cash flows associated with cash flow hedges are expected to occur and the carrying amounts of the related hedging instruments:

| | Carrying amount | Total | One to six months | Six to twelve months | More than One year |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **Cross-currency swaps** | | | | | |
| Net Liabilities | (4,324) | (8,627) | 244 | 1,787 | (10,658) |
| **Foreign exchange forward contracts** | | | | | |
| Liabilities | (4,330) | (4,530) | (2,445) | (660) | (1,425) |
| | (8,654) | (13,157) | (2,201) | 1,127 | (12,083) |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 26 Cash flow hedging reserves (Cont.)

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items resulting from cash flow hedge accounting:

| | Cash flow hedging reserve | Costs of hedging reserve |
|---|---|---|
| | £000 | £000 |
| At 1 January 2018 | (7,985) | — |
| Adjustment on transition to IFRS 9 | (2,180) | 1,709 |
| **Restated 1 January 2018** | **(10,165)** | **1,709** |
| **Changes in fair value** | | |
| Foreign currency risk—cross-currency swaps | 28,845 | 1,082 |
| Foreign currency risk—foreign exchange forward contracts | (2,511) | — |
| **Amounts reclassified to profit or loss** | | |
| Foreign currency risk—cross-currency swaps | (23,495) | 179 |
| Foreign currency risk—foreign exchange forward contracts | (318) | — |
| | **2,521** | **1,261** |
| Tax on movements on reserves | **(654)** | **(505)** |
| Reclassification of reserves | **(113)** | **—** |
| **At 31 December 2018** | **(8,411)** | **2,465** |

The amounts included in the income statement during the year ending 31 December 2018 in relation to items designated as hedging instruments, including hedge ineffectiveness, were as follows:

| | Cross-currency swaps | Foreign exchange forward contracts |
|---|---|---|
| | £000 | £000 |
| **Amounts reclassified from OCI to profit or loss** | | |
| Commission and fees | — | 318 |
| Finance costs | 23,316 | — |
| **Ineffectiveness** | | |
| Other operating costs | — | (152) |
| | **23,316** | **166** |

### 27 Trade and other payables

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| Insurance creditors | **387,593** | 234,460 |
| Social security and other taxes | **12,922** | 16,406 |
| Other creditors | **22,345** | 12,187 |
| Contingent consideration payable | **1,353** | 2,264 |
| Deferred income* | **430** | 11,967 |
| Accruals | **92,799** | 62,960 |
| **Total current liabilities** | **517,442** | 340,244 |
| Contingent consideration payable | **222** | 825 |
| Deferred proceeds | **16,750** | — |
| Other financial liabilities | **30** | 30 |
| Deferred income* | **—** | 9,418 |
| Other creditors | **4,421** | — |
| **Total non-current liabilities** | **21,423** | 10,273 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 27 Trade and other payables (Cont.)

*Due to adopting IFRS 15 from 1 January 2018, deferred income related to contracts with customers is included within contract liabilities (see note 3(s) and note 20).

Insurance creditors include an amount of £6.3m which provides for the estimated losses recoverable by the insurer for net premiums earned to date on those schemes with loss corridor arrangements. The estimated revenue relating to loss corridor that was recognised in 2018 on policies incepted prior to 2018 amounts to £0.8m. This is due to re-estimation of amounts previously recognised.

The Directors consider the carrying amount of trade payables approximates to their fair value.

### 28 Premium financing liability

The premium financing liability comprises amounts payable to a third party financial institution. The Group, via its subsidiary Swinton Group Limited, entered into an arrangement with that institution on 31 December 2018 to receive £73.3m cash, in exchange for which the Swinton Group Limited will transfer to that party the future receipts from customers associated with its premium financing receivables balance up to the amount of £73.3m plus interest.

Swinton Group Limited remains liable in the event of customer default, although in practice it is expected that any credit loss will be partially mitigated by premiums recouped from insurers except possibly in the event of an insurer insolvency.

The premium financing liability is classified as a current liability as the underlying insurance policies are for a 12-month term. The premium financing liability is expected to be minimal after 30 April 2020 as the arrangement is an interim one that will continue for new insurance policies sold in the 4 months after 31 December 2018, after which time the financial institution will provide financing to the customer directly.

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| **Premium financing liabilities** | **72,072** | — |

### 29 Borrowings

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| Finance lease liabilities | **2** | 44 |
| Interest payable | **39,271** | 37,842 |
| Secured loan facility | **622** | 33,400 |
| **Total current borrowings** | **39,895** | 71,286 |
| Finance lease liabilities | **—** | 1 |
| Senior Secured Notes | **1,102,073** | 816,064 |
| Secured loan facility | **2,384** | 9,005 |
| **Total non-current borrowings** | **1,104,457** | 825,070 |

On 22 June 2017, Ardonagh Midco 3 plc, an intermediate holding company, issued £400.0m of 8.375% Senior Secured Notes and USD520.0m of 8.625% Senior Secured Notes. On 20 December 2017 and 8 June 2018 additional 8.375% Senior Secured Notes were issued in the amounts of £55.0m and £98.3m respectively and on 19 November 2018 USD235m additional 8.625% Senior Secured Notes were issued. The issuances are presented net of transaction costs in the table above.

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 (ETV) products. See note 32 for further information relating to ETV redress liabilities. While

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 29 Borrowings (Cont.)

the Letter of Credit ancillary facility remains in place the commitments under the RCF that may actually be utilized are contractually limited to £90.0m excluding the Letter of Credit ancillary facility. Permissible RCF drawings are further limited by the terms of the Group's overall credit facility arrangement. The RCF facility had not been utilised at 31 December 2018 (31 December 2017: £30.0m utilised).

### 30 Derivatives

The Group has economic hedge relationships that mitigate foreign exchange risks arising from its USD Notes and USD revenue. It applies hedge accounting for those hedge relationships that meet the hedge accounting criteria detailed in note 3. The Group manages all other risks associated with these exposures, such as credit risk, but it does not apply hedge accounting for those risks.

Derivatives are only used for hedging purposes. The Group has the following derivative financial instruments as at 31 December:

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| **Non-current assets** | | |
| Foreign exchange forward contracts—cash flow hedges | **—** | 1,270 |
| Cross-currency swaps—cash flow hedges | **1,549** | — |
| **Current assets** | | |
| Cross-currency swaps—cash flow hedges | **2,929** | — |
| **Current liabilities** | | |
| Foreign exchange forward contracts—cash flow hedges | **(3,081)** | (3,743) |
| Cross-currency swaps—cash flow hedges | **(448)** | — |
| **Non-current liabilities** | | |
| Foreign exchange forward contracts—cash flow hedges | **(1,249)** | — |
| Cross-currency swaps—cash flow hedges | **(8,354)** | (37,182) |
| **Net derivative financial instrument liabilities** | **(8,654)** | (39,655) |

See note 24 for information on fair values and the assumptions and methods used to measure fair value.

See note 3 for information on accounting policies adopted in respect of derivative financial instruments and hedge accounting.

#### Cross-currency swaps

The Group issues foreign currency fixed rate notes for funding purposes. In accordance with its risk management strategy, the Group enters into cross currency swap contracts to mitigate 100% of the risk of fluctuation of coupon and principal cash flows due to changes in foreign currency rates of issued foreign currency debt. These instruments are entered into to match the maturity profile of estimated repayments of the Group's debt.

The Group receives a USD coupon matching its interest obligations under the USD Notes, and it pays a fixed GBP coupon at specified half-yearly intervals (January and July) until the maturity of the swap in July 2021. The maturity date of the swap and debt instruments are due to coincide, at which point the Group will redeem the USD Notes using the USD principal received under the swap and pay a GBP principal set at the outset of the swap.

The Group has designated the cross-currency swaps as cash flow hedge relationships to hedge against movements in USD.

Cross-currency swaps in place at 31 December 2018 covered 100% of the principal USD Notes outstanding and related interest obligations. The fixed interest rates of the swaps range between 7.3% and 9.2%.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30 Derivatives (Cont.)

**Cross-currency swaps** (Cont.)

Foreign exchange gains and losses arising between the timing of the receipt of the debt proceeds and placement and/or designation of the swap instruments have been included as unrealised gains/losses in the period and recorded in finance costs in profit or loss.

**Foreign exchange forward contracts**

The Group enters foreign exchange forward contracts to mitigate the exposure resulting from USD revenue arising on the placement of premiums denominated in USD, which is not the presentation currency nor functional currency of the Group.

Based on forecast transactions, the Group effectively sells accumulated USD revenue by reference to individual brokerage transactions. The Group's track record in receiving USD revenue from long established clients provides a high degree of confidence that forecast transactions are highly probable for hedge accounting purposes.

### 31 Current tax and deferred tax

The analysis of current tax assets and current tax liabilities is as follows:

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| **Corporation tax receivable** | **565** | 930 |
| | **565** | 930 |

Deferred tax liabilities relate to intangible assets arising from business combinations. The movement in deferred tax liabilities during the year is as follows:

| | 31 December 2018 | Restated 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| Beginning of the year | **(71,475)** | (43,309) |
| Deferred tax credit on intangibles | **12,152** | 8,979 |
| Additions in the year | **(6,205)** | (37,145) |
| Disposals in the year | **1,643** | — |
| IFRS 15 transition adjustment | **859** | — |
| Other movements | **1,821** | — |
| **End of year** | **(61,205)** | (71,475) |

The analysis of deferred tax assets and deferred tax liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

| | 31 December 2018 | Restated 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| Property, plant and equipment | **10,406** | 5,542 |
| Tax losses | **11,528** | 6,657 |
| Cross-currency swaps | **1,266** | 2,426 |
| Other | **4,559** | 901 |
| **Deferred tax assets** | **27,759** | 15,526 |
| Offset against deferred tax liabilities | **(27,759)** | (15,526) |
| **Net deferred tax assets** | **—** | — |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31 Current tax and deferred tax (Cont.)

| | 31 December 2018 | Restated 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| Deferred tax liabilities | **(61,205)** | (71,475) |
| Offset of deferred tax assets | **27,759** | 15,526 |
| **Net deferred tax liabilities** | **(33,446)** | (55,949) |

The movement in net deferred tax liabilities is as follows:

| | 31 December 2018 | Restated 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| Beginning of the year | **(55,949)** | (26,892) |
| Deferred tax income | **27,523** | 3,342 |
| Deferred tax income—OCI | **(1,159)** | 2,427 |
| Transfer in relation to held for sale assets | **1,821** | — |
| Deferred tax—equity | **(3,876)** | — |
| Deferred tax—acquisitions in the year | **(2,900)** | (34,826) |
| Deferred tax on business disposal | **1,353** | — |
| Other movements | **(259)** | — |
| Net deferred tax liabilities at the end of the year | **(33,446)** | (55,949) |

Following the completion of an allocation of intangibles assets in 2018 relating to the acquisition of Carole Nash on 20 December 2017, the audited balances as at 31 December 2017 have been restated. The restatement includes the recognition of a deferred tax liability on the intangible assets identified (excluding goodwill).

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable based on the profit forecasts for the Group.

The net deferred tax liability is calculated by reference to the rates disclosed in note 12. Deferred tax assets arising on losses and other timing differences are calculated assuming an expected future rate of 17% at the date of utilisation. The tax rate prevailing at the time the losses are utilised may differ.

The Group did not recognise deferred income tax assets of £61.8m (2017: £58.0m) in respect of deductible temporary differences.

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| Fixed assets | **12,992** | 13,767 |
| General provisions | **534** | 10,102 |
| Losses | **27,092** | 24,323 |
| Interest restriction | **21,226** | 9,792 |
| **Unrecognised deferred tax assets** | **61,844** | 57,984 |

The Group had carried forward unrecognised tax losses of £163.4m (2017: £143.1m).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 32 Provisions for other liabilities and charges

The Group held the following provisions as at 31 December 2018:

| | ETV | Run off | LTIP | Litigation matters |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **At 1 January 2018** | **51,000** | **7,541** | **3,001** | **3,513** |
| **Reclassification** | **—** | **—** | **—** | **—** |
| **Charged to profit or loss** | **—** | **1,033** | **508** | **8,805** |
| **Disposals** | **—** | **—** | **—** | **—** |
| **Transferred in on acquisition** | **—** | **—** | **—** | **749** |
| **Utilised during the period** | **—** | **(4,776)** | **(184)** | **(2,202)** |
| **Unwind of discount** | **—** | **—** | **—** | **—** |
| **Held for sale** | **—** | **—** | **—** | **—** |
| **At 31 December 2018** | **51,000** | **3,798** | **3,325** | **10,865** |

| | Property | Loss corridor | Branch closure | Other | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **At 1 January 2018** | **9,241** | **6,569** | **—** | **3,041** | **83,906** |
| **Reclassification** | **—** | **(6,569)** | **—** | **(1,747)** | **(8,316)** |
| **Charged to profit or loss** | **(467)** | **—** | **—** | **853** | **10,732** |
| **Disposals** | **(133)** | **—** | **—** | **—** | **(133)** |
| **Transferred in on acquisition** | **4,105** | **—** | **5,239** | **306** | **10,399** |
| **Utilised during the period** | **(1,346)** | **—** | **—** | **(1,078)** | **(9,586)** |
| **Unwind of discount** | **254** | **—** | **—** | **—** | **254** |
| **Held for sale** | **(155)** | **—** | **—** | **—** | **(155)** |
| **At 31 December 2018** | **11,499** | **—** | **5,239** | **1,375** | **87,101** |

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

| Analysis of total provisions | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| Non-current—to be utilised in more than one year | **31,740** | 44,317 |
| Current—to be utilised within one year | **55,361** | 39,589 |
| | **87,101** | 83,906 |

### Enhanced Transfer Values (ETV) and run off costs provision

As previously reported, certain subsidiaries within the Group have obligations to make redress payments in respect of historical pension transfer advice. The ETV business ceased in 2014 and the relevant subsidiaries ceased trading in March 2015 following a trade and asset sale of their remaining activities.

As disclosed in the Group's Annual Financial Statements for the year ended 31 December 2017, a client contact programme has enabled the ETV population to be refined, the FCA has published revised guidance on the calculation of redress, and file reviews have commenced. In light of these developments, management established a provision in the final quarter of 2017 of £51 million, representing the estimate of the redress liabilities that will fall due. In maintaining this provision, the Directors have taken into account that the redress programme continues to remain at an early stage and there remains uncertainty regarding the ultimate cost, which may therefore differ materially from this initial estimate. Specifically:

- the Directors obtained independent actuarial advice on a sample of cases to assist in estimating the average cost per redress case. In extrapolating the results to the entire population, the advisers have identified a +/- 20% risk of variation to the outcome; and

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 32 Provisions for other liabilities and charges (Cont.)

**Enhanced Transfer Values (ETV) and run off costs provision** (Cont.)

- there remains uncertainty regarding the number of cases within the population for which advice will be determined to be unsuitable and the actual outcome may vary from management's present estimate, which has been based on a sample of cases reviewed to date. In arriving at the estimate of the population judged to have received unsuitable advice, management has taken into account the findings of a number of case reviews carried out by independent specialists.

Other sources of uncertainty, whilst considered less material, may include changes in economic inputs over the period of the redress programme, potential variances in redress methodology and any future changes in the ETV population. In view of these uncertainties, as part of the going concern scenarios, the Directors have considered a 40% deterioration in the quantum of the ETV liabilities as well as a possible acceleration of the settlement profile of the redress cases. The redress programme is currently expected to commence in the second quarter of 2019 and to last up to 24 months. As the programme progresses, the results of case reviews will be used to further inform and update the provision as required.

The review activities are provided for separately within the run-off provision. The balance of the run-off provision as at 31 December 2018 is £3.8m, which includes a £1.0m increase in 2018 in estimated cost and expenses of the review.

**Long-term incentive provision**

Three new long-term incentive provision schemes were established in 2016. The amounts that will ultimately vest are dependent on achievement against various performance measures (including Group EBITDA and individual contribution targets) and/or service conditions. The incentives are paid to participants at the end of the relevant performance and/or service period, which for one scheme was in 2018. For the other two schemes, an interim payment was made in 2017, the amount of which will be deducted from the final payments due in 2019.

**General provision for litigation matters (including E&O claims)**

In the normal course of business, the Group may receive claims in respect of alleged errors and omissions and other matters. Provisions are made in respect of such litigation matters, representing the best estimate of the liability based on legal advice where appropriate. The outcome of the currently pending and future proceedings, in relation to errors and omissions and other matters, cannot be predicted with certainty. Thus, an adverse decision in a current or future lawsuit could result in additional costs that are not covered, either wholly or partially, under insurance policies and that are in excess of the presently established provisions.

**Property provision**

Onerous lease (£3.2m)
Provides for costs incurred on vacant properties for the full remaining term of the lease. When a property is exited before the end of the lease term, the future committed rental payments are provided for in full and that provision is released to the consolidated income statement over the remaining life of the lease.

Rents above market value provision (£1.3m)
This provision relates to leasehold properties purchased in a business combination and includes for the full remaining term of the lease the portion of rental payments that are above the property's market rental value. The provision is released to the consolidated income statement over the life of the leases.

Dilapidations provision (£7.0m)
Provides for the estimated amounts payable for dilapidations on each property at the end of the lease term.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 32 Provisions for other liabilities and charges (Cont.)

**Loss corridor provision**

In 2017, the loss corridor provision, which provides for the estimated losses recoverable by the insurer for net premium earned to date on those schemes with loss sharing clauses, was classified as a provision. Following the adoption of IFRS 15 amounts expected to be paid under loss corridor arrangements have been reclassified from provisions to insurance creditors (trade and other payables).

**Branch closure**

Relates to a provision held by The Swinton Group for the cost of closing branches including future rent and service charge liabilities until the lease expiry date.

**Other provision**

The other provision balance at 31 December 2018 includes:

- £1.0m restructuring provisions
- £0.3m for potential liabilities relating to legacy balance

### 33 Held for sale assets and liabilities

The Group announced on 1 November 2018 that it had agreed the sale of its commercial MGA business and selected assets, including the commercial underwriting areas of the Group's MGA segment, with an effective date of 1 January 2019.

The major classes of assets and liabilities comprising the operations that are classified as held for sale at 31 December 2018 are as follows:

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | £000 | £000 |
| Goodwill and intangible assets | **26,416** | — |
| Property, plant and equipment | **14** | — |
| Other assets | **323** | — |
| **Total assets classified as held for sale** | **26,753** | — |
| Deferred tax liabilities | **(1,821)** | — |
| Provisions for liabilities and charges | **(155)** | — |
| **Total liabilities classified as held for sale** | **(1,976)** | — |
| **Net assets classified as held for sale** | **24,777** | — |

### 34 Share capital and share premium

| | Number of shares | Ordinary shares | Share premium | Total |
|---|---|---|---|---|
| | (thousands) | £000 | £000 | £000 |
| **At 1 January 2018** | **682,495** | **6,826** | **674,391** | **681,217** |
| **At 31 December 2018** | **682,495** | **6,826** | **674,391** | **681,217** |
| At 1 January 2017 | 360,000 | 3,600 | 356,400 | 360,000 |
| At 31 December 2017 | 682,495 | 6,826 | 674,391 | 681,217 |

On 1 February 2019, the Company offered shareholders the opportunity to subscribe for their relevant equity proportion of up to £27.1m of Convertible Equity Certificates (CECs). The offer closed on 25 February 2019. No CECs were subscribed for other than those issued in connection with the acquisition of Nevada Investment Holdings 2 Limited. On 7 March 2019, the CECs were converted into 50,489,826 ordinary shares in the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 35 Share-based payments

The Group operates an equity-settled share-based payment scheme as at 31 December 2018, the 'Ardonagh MIP'. The fair value of the services received in exchange for the grant of the shares is recognised as an expense, measured based on the grant date fair value of the shares and recognised on a straight-line basis over the vesting period. The amounts attributable in 2018 and 2017 to services performed, to new joiners and to leavers is not material.

The Ardonagh MIP replaced the existing 'Towergate MIP' scheme during 2017. Shares in the Towergate MIP were converted to deferred shares and redeemed in consideration for shares in the Ardonagh MIP. The cancellation and issuance was treated as a modification to the original scheme. The revised fair value therefore takes into account the incremental fair value granted as at the modification date in addition to the grant date fair value of the original scheme.

The Ardonagh MIP shares have no dividend or voting rights and cannot be sold. They are convertible to ordinary shares of the Group on the occurrence of a crystallisation event, being the earlier of a liquidity event, an IPO and a winding-up. The Group has the option to repurchase Ardonagh MIP shares if an employee leaves the Group prior to the occurrence of a crystallisation event.

The grant date fair value of the scheme is calculated using a Black Scholes model, which includes discounts for the opportunity cost of equity, lack of control and good/bad leaver provisions.

### 36 Contingent liabilities, assets and 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 (ETV) products. See note 32 for further information relating to ETV redress liabilities. While the Letter of Credit ancillary facility remains in place the commitments under the RCF that may actually be utilised are contractually limited to £90.0m (excluding the Letter of Credit ancillary facility). Permissible RCF drawings are further limited by the terms of the Group's overall credit facility arrangement. The RCF facility had not been utilised at 31 December 2018 (31 December 2017: £30.0m utilised).

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 36 Contingent liabilities, assets and commitments (Cont.)

**Guarantees** (Cont.)

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 Finco plc
Nevada Investment Holdings 5 Limited
Nevada Investment Holdings 6 Limited
Nevada Investment Holdings 7 Limited
Ardonagh Midco 2 plc
Nevada Investments Holdings Limited
PFIH Limited
Nevada InvestorCo Limited
Nevada Investments Topco Limited
Price Forbes Holdings Limited
Price Forbes & Partners Limited
Nevada Investments 1 Limited
Nevada Investments 2 Limited
Nevada Investments 3 Limited
Nevada Investments 4 Limited
Nevada Investments 5 Limited
Nevada Investments 6 Limited
Nevada Investments 7 Limited
Arista Insurance Limited
Bishopsgate Insurance Brokers Limited
Broker Network Holdings Limited
CCV Risk Solutions Limited
Cullum Capital Ventures Limited
Four Counties Insurance Brokers Limited
Geo Specialty Group Holdings Limited
Geo Underwriting Services Limited
Lunar 101 Limited
Morgan Law Limited
Paymentshield Group Holdings Limited
Paymentshield Holdings Limited
Paymentshield Limited
Paymentshield Services Limited
Towergate Insurance Limited
Towergate Risk Solutions Limited
Towergate Underwriting Group Limited
URIS Group Limited
URIS Central Administration Limited
Millennium Insurance Brokers Limited
URIS Topco Limited
Chase Templeton Group Limited
Chase Templeton Holdings Limited
Chase Templeton Limited
Towergate Insurance Broking Holdings Limited
Ardonagh Specialty Holdings Limited
Swinton Group Limited
Swinton (Holdings) Limited
Swinton Properties Limited
Atlanta Investment Holdings Limited
Atlanta Investment Holdings A Limited
Autonet Insurance Services Limited
Carole Nash Insurance Consultants Limited
KDB Medicals Limited

**Contractual obligations**

The following table summarises material commitments as of 31 December 2018:

| | Less than one year | One to five years | More than five years | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Senior Secured Notes | — | 1,145,782 | — | 1,145,782 |
| Operating leases | 18,698 | 43,875 | 12,839 | 75,412 |
| Other obligations | 1,354 | 222 | — | 1,576 |
| Contractual commitments | 8,346 | 1,993 | — | 10,339 |
| | 28,398 | 1,191,872 | 12,839 | 1,233,109 |

Of the total contractual commitments in the table above £5.9m relates to projects driving operational efficiencies in the business which will be charged to the income statement, £4.2m relates to expenditure on intangible assets and £0.2m relates to property, plant and equipment.

The Group has no contingent liabilities at 31 December 2018.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 37 Related party transactions

**Bravo**

At 31 December 2017, the Group owned 19.9% of the voting shares in Bravo Investment Holdings Limited (Bravo) which had acquired The Broker Network Limited and Countrywide Insurance Management Limited from Towergate. In January 2018, the Group received £30m cash from Nevada Investment Holdings 2 Limited in respect of the sale of its 19.9% shareholding in Bravo. Nevada Investment Holdings 2 Limited is a related party of the Group due to its common shareholders. The cash received plus an additional £1.2m is subject to a contingent clawback clause dependent upon the future performance of the Broker Network.

During 2018 the Group supplied services of £0.2m (2017: £0.3m) to Bravo. A balance of £0.4m (2017: £0.3m) was outstanding at 31 December 2018.

**Share-based payment transactions**

There were share-based transactions with certain key management personnel during the year. Further details of these transactions can be found in note 35.

**Directors' loans**

Loans to Directors of £7.2m were brought into the Group as a result of the purchase of Nevada Investment Topco Limited (Nevada) on 22 June 2017. This balance consisted of four individual loans of which three were forgivable, each forgivable over different periods. The maximum length of the loan is to 2020.

At the date of acquisition of Nevada, the forgivable loans had a fair value of zero, as it is the intention of the Directors to forgive these loans in line with the terms of the individual agreements. The value of Directors' loans held on the Group's balance sheet at 31 December 2018 was £1.2m (2017: £1.2m).

**Nevada Investments Holdings 2 Group**

Nevada Investments Holdings 2 Limited and its subsidiaries (Nevada Group) are related parties of the Group due to common shareholders. During 2018 the Group entered into a loan agreement with Nevada Investment Holdings 3 Limited, a subsidiary of Nevada Investments Holdings 2 Limited whereby the Group will advance funds of up to £2.0m with interest accruing at a rate of 3% on a drawn balance. The balance on this loan was £1.8m at 31 December 2018 and was fully repaid prior to the acquisition of the Nevada Group by the Ardonagh Group on 31 January 2019 (note 40).

The Group paid costs on behalf of Minton House Group Limited, a subsidiary of Nevada Investments Holdings 2 Limited, of £1.3m during the year of which £0.3m was outstanding at 31 December 2018.

**Transactions with shareholders**

During the year, the Group paid costs of £0.2m on behalf of HPS. This balance was outstanding at 31 December 2018.

**Transactions with non-controlling interests**

On 22 August 2017, the Group paid £12.7m for an additional 17% of the issued shares of Price Forbes Holdings Limited, bringing the non-controlling interest down to under 1%. See note 16 for further information.

**Transactions with Employee Benefit Trust**

During the year the Group paid costs of £0.2m on behalf of the Group's employee benefit trust, this balance was outstanding at 31 December 2018.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 38 Ultimate parent company

The Ardonagh Group Limited's majority shareholder is HPS Investment Partners LLC. The Ardonagh Group Limited is the Group's ultimate parent company and the highest level at which results are consolidated.

### 39 Group undertakings

The following were Group undertakings at 31 December 2018. Unless otherwise shown, the capital of each company is wholly-owned, is in ordinary shares and the principal country of operation is the country of incorporation/ registration.

| Company | Share-holding | Registered office address | Country of incorporation | Nature of holding |
|---|---|---|---|---|
| Ardonagh Finco plc | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Ardonagh Midco 1 Limited | 100% | 47 Esplanade, St Helier, Jersey, JE1 0BD | Jersey | Ordinary |
| Arista Insurance Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| CCV Risk Solutions Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Geo Underwriting Services Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Paymentshield Limited | 100% | Paymentshield House, Wight Moss Way, Southport, Merseyside, PR8 4HQ | England | Ordinary |
| Towergate Underwriting Group Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Antur Insurance Services Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary & preference |
| B.I.B. (Darlington) Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| B.I.B. Underwriters Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Berkeley Alexander Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Bishop Skinner Insurance Brokers Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Bishopsgate Insurance Brokers Limited | 100% | 55 Bishopsgate, London, EC2N 3AS | England | Ordinary |
| Dawson Whyte Limited | 100% | 116-118 Holywood Road, Belfast, BT4 1NU | Northern Ireland | Ordinary |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 39 Group undertakings (Cont.)

| Company | Share-holding | Registered office address | Country of incorporation | Nature of holding |
|---|---|---|---|---|
| Fusion Insurance Services Scandinavia Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Four Counties Insurance Brokers Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Geo Specialty Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Geo Specialty Liability Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Managing Agents Reference Assistance Services Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Morgan Law Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Oyster Property Insurance Specialists Limited | 75% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Oyster Risk Solutions Limited | 87.5% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Towergate Insurance Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary & deferred |
| Antur (West Wales) Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| B.I.B. (Darlington) Acquisitions Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| B.I.B.U. Acquisitions Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Bishop Skinner Acquisitions Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Bishop Skinner Insurance Brokers Holdings Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Broker Network Holdings Limited | 100% | Hexagon House, Grimbald Crag Close, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ | England | Ordinary |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 39 Group undertakings (Cont.)

| Company | Share-holding | Registered office address | Country of incorporation | Nature of holding |
|---|---|---|---|---|
| Cullum Capital Ventures Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Geo Specialty Group Holdings Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Lunar 101 Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Morgan Law (Holdings) Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Paymentshield Group Holdings Limited | 100% | Paymentshield House, Wight Moss Way, Southport, Merseyside, PR8 4HQ | England | Ordinary |
| Paymentshield Holdings Limited | 100% | Paymentshield House, Wight Moss Way, Southport, Merseyside, PR8 4HQ | England | Ordinary |
| Paymentshield Services Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Towergate Risk Solutions Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Ardonagh Midco 2 plc | 100% | 55 Bishopsgate, London, EC2N 3AS | England | Ordinary |
| Nevada Investment Holdings 6 Limited | 100% | 55 Bishopsgate, London, EC2N 3AS | England | Ordinary |
| Nevada Investment Holdings 7 Limited | 100% | 55 Bishopsgate, London, EC2N 3AS | England | Ordinary |
| Nevada Investorco Limited | 100% | 55 Bishopsgate, London, EC2N 3AS | England | Ordinary |
| Nevada Investments 1 Limited | 96.4% | 55 Bishopsgate, London, EC2N 3AS | England | Ordinary |
| Nevada Investments 2 Limited | 96.4% | 55 Bishopsgate, London, EC2N 3AS | England | Ordinary |
| Nevada Investments 3 Limited | 96.4% | 55 Bishopsgate, London, EC2N 3AS | England | Ordinary |
| Nevada Investments 4 Limited | 100% | 55 Bishopsgate, London, EC2N 3AS | England | Ordinary |
| Nevada Investments 5 Limited | 100% | 55 Bishopsgate, London, EC2N 3AS | England | Ordinary |
| Nevada Investments 6 Limited | 100% | 55 Bishopsgate, London, EC2N 3AS | England | Ordinary |
| Nevada Investments 7 Limited | 100% | 55 Bishopsgate, London, EC2N 3AS | England | Ordinary |
| Nevada Investments Holdings Limited | 100% | Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104 | Cayman Islands | Ordinary |
| Nevada Investments Topco Limited | 100% | Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104 | Cayman Islands | Ordinary |
| Nevada Management (Nominees) Limited | 100% | Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104 | Cayman Islands | Ordinary |
| Dawson Pennington & Company Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 39 Group undertakings (Cont.)

| Company | Share-holding | Registered office address | Country of incorporation | Nature of holding |
|---|---|---|---|---|
| Ardonagh TM Holdco Limited | 100% | 55 Bishopsgate, London, EC2N 3AS | England | Ordinary |
| Atlanta Investment Holdings 3 Limited | 80.9% | Devonshire House, 1 Mayfair Place, 4th Floor, London, W1J 8AJ | England | Ordinary |
| Atlanta Investment Holdings 2 Limited | 80.9% | Devonshire House, 1 Mayfair Place, 4th Floor, London, W1J 8AJ | England | Ordinary |
| Atlanta Investment Holdings Limited | 80.9% | Devonshire House, 1 Mayfair Place, 4th Floor, London, W1J 8AJ | England | Ordinary |
| Autonet Insurance Services Limited | 80.9% | Nile Street, Burslem, Stoke-on- Trent, ST6 2BA | England | Ordinary |
| KDB Medicals Limited | 80.9% | Nile Street, Burslem, Stoke-on- Trent, ST6 2BA | England | Ordinary |
| Bike Net Insurance Services Limited | 80.9% | Nile Street, Burslem, Stoke-on- Trent, ST6 2BA | England | Ordinary |
| Atlanta Investment Holdings A Limited | 80.9% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Chase Templeton Holdings Limited | 100% | First Floor, Millennium House, Victoria Road, Douglas, Isle of Man, IM2 4RW | Isle of Man | Ordinary |
| Chase Templeton Group Limited | 100% | First Floor, Millennium House, Victoria Road, Douglas, Isle of Man, IM2 4RW | Isle of Man | Ordinary |
| Chase Templeton Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Network Protect UK Office Limited | 100% | First Floor, Millennium House, Victoria Road, Douglas, Isle of Man, IM2 4RW | Isle of Man | Ordinary |
| Anglia Financial Solutions Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Atlas Consulting Group Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Atlas Health Consultants Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Benefits For Business Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Best Health Business Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Best Health UK Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Bestworld Financial Management Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Business Protection Online Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Chartered Life Limited | 100% | 2nd Floor North Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN | Scotland | Ordinary |
| Complete Healthcare Solutions Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 39 Group undertakings (Cont.)

| Company | Share-holding | Registered office address | Country of incorporation | Nature of holding |
|---|---|---|---|---|
| Get Private Individual Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Get Private Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Health Assist Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| HA Scotland Limited | 100% | 2nd Floor North Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN | Scotland | Ordinary |
| Health Equity Solutions Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Healthcare Quotations (Holdings) Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Healthcare Quotations Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Howill Group Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Independent Health Insurance Services Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| J.V.A Healthcare Services Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Jigsaw Healthcare Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Lewis Powell Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| London Medical Brokers Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| M & A Healthcare Products Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Marcus Christian Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Medical Insurance Advisers Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Medins Healthcare Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Medisearch Direct Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Mutual Health Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Perfect Health Insurance Services Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Planhealth Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| T F Bell Holdings Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 39 Group undertakings (Cont.)

| Company | Share-holding | Registered office address | Country of incorporation | Nature of holding |
|---|---|---|---|---|
| Positively Healthcare Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Positively Money Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Preferred Medical I T Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Preferred Medical Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Private Medical Insurance Advisers Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Private Medical Solutions (UK) Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Private Medicalcare Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Simply Assured Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| SJS Healthcare Associates Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Ultimate Health Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Wellbeing Health Insurance Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| Search Healthcare Limited | 100% | 5 Arkwright Court, Blackburn Interchange, Darwen, Lancashire, BB3 0FG | England | Ordinary |
| URIS Topco Limited | 96.4% | Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL | England | Ordinary & preference |
| URIS Group Limited | 96.4% | Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL | England | Ordinary |
| URIS Central Administration Limited | 96.4% | Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL | England | Ordinary |
| Cassidy Davis Underwriting Agency Limited | 96.4% | Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL | England | Ordinary |
| Millennium Insurance Brokers Limited | 96.4% | Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL | England | Ordinary |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 39 Group undertakings (Cont.)

| Company | Share-holding | Registered office address | Country of incorporation | Nature of holding |
|---|---|---|---|---|
| RDG Midas Holdings (NI) Limited | 96.4% | Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL | England | Ordinary & preference |
| Midas Underwriting Limited | 96.4% | Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL | England | Ordinary |
| Charles Hurst Insurance Services Limited | 50% | Elizabeth House First Floor, 116-118 Holywood Road, Belfast, BT4 1NU | Northern Ireland | Ordinary |
| Direct Creditor Administration Limited | 96.4% | Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL | England | Ordinary |
| Direct Warranty Administration Limited | 96.4% | Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL | England | Ordinary |
| URIS Investment Limited | 96.4% | Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL | England | Ordinary, deferred & preference |
| URIS Holdings Limited | 96.4% | Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL | England | Ordinary |
| Price Forbes Holdings Limited | 100% | Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104 | Cayman Islands | Ordinary |
| PFIH Limited | 100% | 6th Floor, 2 Minster Court, Mincing Lane, London, EC3R 7PD | England | Ordinary |
| Price Forbes Group Limited | 100% | 6th Floor, 2 Minster Court, Mincing Lane, London, EC3R 7PD | England | Ordinary |
| Price Forbes Labuan Limited | 100% | ZICO Trust Limited, Unit 13 (A) Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 | Malaysia | Ordinary |
| Price Forbes & Partners Limited | 100% | 2 Minster Court, Mincing Lane, London, EC3R 7PD | England | Ordinary |
| Price Forbes DMCC | 100% | 1004, JBC4, Cluster N, Jumeirah Lake Towers, United Arab Emirates | Dubai | Ordinary |
| Price Forbes & Partners (Bermuda) Limited | 100% | Appleby, Canon's Court, 22 Victoria Street, Hamilton, HM 12 | Bermuda | Ordinary |
| Price Forbes (PTY) Limited | 100% | 1st Floor, Block A, Kingsley Office Park, 85 Protea Road, Chislehurston, Johannesburg | South Africa | Ordinary |
| Purely Insurance Limited | 100% | 6th Floor, 2 Minster Court, Mincing Lane, London, EC3R 7PD | England | Ordinary |
| Equinox Underwriting North America Inc | 100% | 2711 Centerville Road, Suite 400, Wilmington, DE 19808 | USA | Ordinary |
| Solis Re Agency Inc | 51% | c/o Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, DE 19808 | USA | Ordinary |
| Healthy Pets Limited | 100% | 6 Ridgeway Office Park, Bedford Road, Petersfield, Hampshire, GU32 3QF | England | Ordinary |
| Paymentshield Life Underwriting Services Limited | 100% | Paymentshield House, Wight Moss Way, Southport, Merseyside, PR8 4HQ | England | Ordinary |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 39 Group undertakings (Cont.)

| Company | Share-holding | Registered office address | Country of incorporation | Nature of holding |
|---|---|---|---|---|
| Towergate Financial (East) Holdings Limited | 84.2% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Towergate Financial (East) Intermediate Limited | 84.2% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Towergate Financial (East) Limited | 84.2% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary & preference |
| Towergate Financial (Group) Limited | 85.1% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Towergate Financial (London) Limited | 73.6% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Towergate Financial (North) Holdings Limited | 77.8% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Towergate Financial (North) Limited | 77.8% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary & preference |
| Towergate Financial (Scotland) Holdings Limited | 85.1% | 150 St Vincent Street, Glasgow, G2 5NE | Scotland | Ordinary |
| Towergate Financial (Scotland) Limited | 85.1% | 150 St Vincent Street, Glasgow, G2 5NE | Scotland | Ordinary |
| Towergate Financial (West) Holdings Limited | 85.1% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Towergate Financial (West) Limited | 84.9% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary & preference |
| HS 428 Limited | 100% | Paymentshield House, Wight Moss Way, Southport, Merseyside, PR8 4HQ | England | Ordinary |
| Oak Affinity Consultancy Limited | 100% | Paymentshield House, Wight Moss Way, Southport, Merseyside, PR8 4HQ | England | Ordinary |
| Four Counties Finance Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Execcover Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Moffatt & Co Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 39 Group undertakings (Cont.)

| Company | Share-holding | Registered office address | Country of incorporation | Nature of holding |
|---|---|---|---|---|
| Arthur Marsh & Son Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Suddards Davies & Associates Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Waveney Group Schemes Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Waveney Insurance Brokers (Commercial) Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Waveney Insurance Brokers Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Capital & County Insurance Brokers Limited | 100% | 15 Canada Square, London, E14 5GL | England | Ordinary |
| CCG Financial Services Limited | 77.8% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Chorlton Cloughley Group Limited | 100% | 15 Canada Square, London, E14 5GL | England | Ordinary |
| Cox Lee & Co Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Crawford Davis Insurance Consultants Limited | 100% | 15 Canada Square, London, E14 5GL | England | Ordinary |
| Duncan Pocock (Holdings) Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Eclipse Park Acquisitions Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| JW Group Insurance & Risk Managers Limited | 100% | Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG | Scotland | Ordinary |
| JW Group Limited | 100% | Davidson House, 57 Queen Charlotte Street, Edinburgh, EH6 7YD | Scotland | Ordinary |
| M. Wood Insurance Services Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| M2 Financial Fees Limited | 84.2% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Portishead Insurance Management Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 39 Group undertakings (Cont.)

| Company | Share-holding | Registered office address | Country of incorporation | Nature of holding |
|---|---|---|---|---|
| Priestley & Partners (Insurance) Brokers Limited | 100% | 15 Canada Square, London, E14 5GL | England | Ordinary |
| Protectagroup Acquisitions Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Protectagroup Holdings Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Protectagroup Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Richard V Wallis & Co Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Roundcroft Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| The Folgate Partnership Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Three Counties Insurance Brokers Limited | 100% | 15 Canada Square, London, E14 5GL | England | Ordinary |
| TL Risk Solutions Limited | 100% | 15 Canada Square, London, E14 5GL | England | Ordinary |
| Towergate Chase Parkinson Limited | 100% | 15 Canada Square, London, E14 5GL | England | Ordinary |
| Towergate Financial (Edinburgh) Limited | 85.1% | 150 St Vincent Street, Glasgow, G2 5NE | Scotland | Ordinary & preference |
| Towergate Financial (Huddersfield) Intermediate Limited | 77.8% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Towergate Financial (Huddersfield) Limited | 77.8% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Towergate FJC Limited | 85.1% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Towergate Wilsons Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Carole Nash Legal Services LLP | 40.5% | Helmont House, Churchill Way, Cardiff, CF10 2HE | Wales | LLP |
| The Ardonagh Nominee Company Limited | 100% | 55 Bishopsgate, London, EC2N 3AS | England | Ordinary |
| Ardonagh Investments Limited | 100% | 22 Grenville Street, St. Helier, Jersey, JE4 8PX | Jersey | Ordinary |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 39 Group undertakings (Cont.)

| Company | Share-holding | Registered office address | Country of incorporation | Nature of holding |
|---|---|---|---|---|
| Ardonagh Investments 2 Limited | 100% | 22 Grenville Street, St. Helier, Jersey, JE4 8PX | Jersey | Ordinary |
| Broker Network Insurance Brokers Limited | 100% | Hexagon House, Grimbald Crag Close, St James Business Park, Knaresborough, North Yorkshire, HG5 8PJ | England | Ordinary & preference |
| HS 426 Limited | 100% | Paymentshield House, Wight Moss Way, Southport, Merseyside, PR8 4HQ | England | Ordinary |
| Just Insurance Brokers Limited | 100% | 15 Canada Square, London, E14 5GL | England | Ordinary |
| AIUA Holdings Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Mastercover Insurance Services Limited | 100% | 2 Oaks Court, Warwick Road, Borehamwood, Hertfordshire, WD6 1GS | England | Ordinary |
| Ardonagh Specialty Holdings Limited | 100% | 55 Bishopsgate, London, EC2N 3AS | England | Ordinary |
| Carole Nash Insurance Consultants Limited | 80.9% | Trafalgar House, 110 Manchester Road, Altrincham, Cheshire, WA14 1NU | England | Ordinary & deferred |
| William Rogers Holding Company Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Van Net Insurance Services Limited | 80.9% | Nile Street, Burslen, Stoke-on- Trent, ST6 2BA | England | Ordinary |
| Nevada Investment Holdings 5 Limited | 100% | 55 Bishopsgate, London, EC2N 3AS | England | Ordinary |
| Autonet Law LLP | 75% | PM House, 250 Shepcote Lane, Sheffield, S9 1TP | England | LLP |
| Townfrost Limited | 100% | Hexagon House, Grimbald Crag Close, St James Business Park, Knaresborough, North Yorkshire, HP5 8PJ | England | Ordinary |
| Walter Ainsbury & Son Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Smith & Pinching General Insurance Services Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| HLI (UK) Limited | 100% | 15 Canada Square, London, E14 5GL | England | Ordinary |
| Ainsbury (Insurance Brokers) Limited | 100% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Jubilee Service Solutions Limited | 96.4% | Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL | England | Ordinary |
| Lutine Assurance Services Limited | 96.4% | Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL | England | Ordinary |
| Ardonagh Midco 3 plc | 100% | 55 Bishopsgate, London, EC2N 3AS | England | Ordinary |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 39 Group undertakings (Cont.)

| Company | Share-holding | Registered office address | Country of incorporation | Nature of holding |
|---|---|---|---|---|
| Bishopsgate North American Binders Limited | 100% | 55 Bishopsgate, London, EC2N 3AS | England | Ordinary |
| Price Forbes Risks Solutions Limited | 100% | 55 Bishopsgate, London, EC2N 3AS | England | Ordinary |
| Towergate Insurance Broking Holdings Limited | 100% | 55 Bishopsgate, London, EC2N 3AS | England | Ordinary |
| Geo Europe B.V. | 100% | Weena 505, 17de verdieping, 3013AL Rotterdam | Netherlands | Ordinary |
| Geo Underwriting Europe B.V. | 100% | Weena 505, 17de verdieping, 3013AL Rotterdam | Netherlands | Ordinary |
| Atlanta Investment Holdings Midco B Limited | 80.9% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Atlanta Investment Holdings B Limited | 80.9% | Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN | England | Ordinary |
| Carole Nash Insurance Consultants (Ireland) Designated Activity Company | 80.9% | Ulysses House, 22/24 Foley St, Mountjoy, Dublin | Ireland | Ordinary |
| URIS Group Insurance Services (Europe) Designated Activity Company | 96.4% | 70 Sir John Rogersons Quay, Dublin 2, D02 R296 | Ireland | Ordinary |
| Swinton (Holdings) Limited | 100% | Embankment West Tower, 101 Cathedral Approach, Salford, United Kingdom, M3 7FB | England | Ordinary |
| Swinton Group Limited | 100% | Embankment West Tower, 101 Cathedral Approach, Salford, United Kingdom, M3 7FB | England | Ordinary |
| Swinton Properties Limited | 100% | Embankment West Tower, 101 Cathedral Approach, Salford, United Kingdom, M3 7FB | England | Deferred |
| Fairfield Insurance Services Limited (Dormant) | 100% | Embankment West Tower, 101 Cathedral Approach, Salford, United Kingdom, M3 7FB | England | Ordinary |
| Its4Me Limited (Dormant) | 100% | Embankment West Tower, 101 Cathedral Approach, Salford, United Kingdom, M3 7FB | England | Ordinary |
| EIBL Management Limited (Dormant) | 100% | Embankment West Tower, 101 Cathedral Approach, Salford, United Kingdom, M3 7FB | England | Ordinary |
| EIBL Limited (Dormant) | 100% | Embankment West Tower, 101 Cathedral Approach, Salford, United Kingdom, M3 7FB | England | Ordinary |
| Andinsure Limited (Dormant) | 100% | Embankment West Tower, 101 Cathedral Approach, Salford, United Kingdom, M3 7FB | England | Ordinary |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 39 Group undertakings (Cont.)

| Company | Share-holding | Registered office address | Country of incorporation | Nature of holding |
|---|---|---|---|---|
| Walmsleys Insurance Brokers Limited (Dormant) | 100% | Embankment West Tower, 101 Cathedral Approach, Salford, United Kingdom, M3 7FB | England | Ordinary |
| Colonnade Insurance Brokers (Dormant) | 100% | Embankment West Tower, 101 Cathedral Approach, Salford, United Kingdom, M3 7FB | England | Ordinary |
| Rockford Group Limited (Dormant) | 100% | Embankment West Tower, 101 Cathedral Approach, Salford, United Kingdom, M3 7FB | England | Ordinary |
| Rockford Insurance Brokers Limited | 100% | Embankment West Tower, 101 Cathedral Approach, Salford, United Kingdom, M3 7FB | England | Ordinary |

### 40 Subsequent events

#### Acquisitions

On 31 January 2019, the Group completed the acquisition of Nevada Investment Holdings 2 Limited (Nevada 2), a company registered in the Cayman Islands, from HPS and MDP. The consideration for the acquisition was the issue of £67m principal amount of Convertible Equity Certificates of £0.01 each. Nevada 2 is the indirect holding company of Nevada Investment Holdings 3 Ltd, which holds Minton House Group Limited, Health and Protection Solutions Limited and Professional Fee Protection Limited.

#### Convertible Equity Certificates (CECs)

On 1 February 2019, the Company offered shareholders the opportunity to subscribe for their relevant equity proportion of up to £27.1m of CECs. The offer closed on 25 February 2019. No CECs were subscribed for other than those issued in connection with the acquisition of Nevada 2. On 7 March 2019, the CECs were converted into 50,489,826 ordinary shares in the Company.

#### Intragroup reorganisation

On 31 January 2019, the Company entered into an Intragroup Transfer Agreement (the ITA) with its wholly owned subsidiaries Ardonagh Midco 1 Limited, Ardonagh Midco 2 plc, Ardonagh Midco 3 plc and Ardonagh Finco plc. Under the terms of the ITA, the Company transferred the entire share capital of Nevada 2 to its wholly owned subsidiary Ardonagh Finco plc, by way of a series of contributions of the Nevada 2 shares in consideration for allotting and issuing 6,700,000,000 ordinary shares of £0.01 each.

#### Disposal

On 1 January 2019, the Group completed the disposal of the business and certain assets of the commercial MGA of Geo, Towergate Commercial Underwriting and Fusion to Arch UK Holdings Limited, a subsidiary of Arch Insurance Company (Europe) Limited, for which a binding agreement had been entered into on 1 November 2018 (see note 33).

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