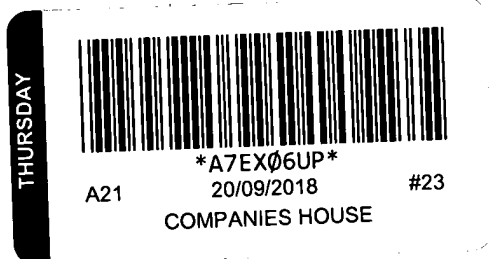


Registration number: 00991769

Dawson Pennington & Company Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2017



Contents

Company Information	1
Strategic Report	2
Directors' Report	3 to 4
Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements	5
Independent Auditor's Report to the members of Dawson Pennington & Company Limited	6 to 7
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11 to 16

Dawson Pennington & Company Limited

Company Information

Directors	D C Ross A Erotocritou
Company secretary	G C Gouriet
Registered office	Towergate House Eclipse Park Sittingbourne Road Maidstone Kent ME14 3EN
Auditor	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL

Dawson Pennington & Company Limited

Strategic Report for the Year Ended 31 December 2017

The directors present their strategic report for the year ended 31 December 2017 for Dawson Pennington & Company Limited ("the Company"). The strategic report provides a review of the business for the financial year and describes how the directors manage risks. The report outlines the developments and performance of the Company during the financial year, the position at the end of the year and discusses the main trends and factors that could affect the future. The Company is part of The Ardonagh Group Limited ("the Group" or "Ardonagh").

Principal activities and business review

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

The results for the Company show turnover of £Nil (2016: £Nil) and profit before tax of £Nil (2016: £Nil) for the year. At 31 December 2017 the Company had net assets of £1,547 (2016: £1,547). The accounting policies (note 2) on page 12 sets out the reasons why the directors continue to believe that the preparation of the financial statements on the going concern basis is appropriate.

Outlook

The directors do not expect there to be any changes in the nature of the business in 2018.

Key performance indicators

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

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

There were no impairment charges for the current year.

Principal risks and uncertainties

Risk management

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

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

Approved by the Board on 11 September 2018 and signed on its behalf by:



A Erotocritou
Director

Dawson Pennington & Company Limited

Directors' Report for the Year Ended 31 December 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Directors' of the company

The directors, who held office during the year, were as follows:

D C Ross

M S Mugge (resigned 2 March 2018)

The following director was appointed after the year end:

A Erotocritou (appointed 2 March 2018)

Dividends

The directors do not recommend a final dividend payment to be made in respect of the financial year ended 31 December 2017 (2016: £Nil).

Financial risk management objectives and policies

Details of financial risk management objectives and policies can be found in the strategic report within the 'Risk management' section on page 2.

Future developments

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

Political donations

The Company has not made any political donations during the year (2016: £Nil).

Going concern

The Company's business activities, together with the factors likely to affect its future development are described in the strategic report on page 2. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the next 12 months. In reaching their view on the preparation of the Company's financial statements on a going concern basis, the Directors have also considered the letter of support provided by Ardonagh Midco 3 Plc. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Further details can be found in note 2 to these financial statements.

Directors' liabilities

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

Disclosure of information to the auditors

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

Dawson Pennington & Company Limited

Directors' Report for the Year Ended 31 December 2017

Reappointment of auditor

At the Board meeting last year KPMG LLP were reappointed as the Company's statutory auditors. During the year, a formal tender process took place for the Company, led by The Ardonagh Group Limited Audit Committee.

As a result of this tender process the Audit Committee recommended, and The Ardonagh Group Board approved on behalf of the Company, the proposed appointment of Deloitte LLP as an external auditor for the financial year ending 31 December 2018. The appointment of Deloitte LLP is subject to finalisation of terms of engagement and KPMG LLP's completion of the audit for the year ending 31 December 2017 and resignation as auditor.

Approved by the Board on 11 September 2018 and signed on its behalf by:



A Erotocritou
Director

Towergate House
Eclipse Park
Sittingbourne Road
Maidstone
Kent
ME14 3EN

Dawson Pennington & Company Limited

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

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Dawson Pennington & Company Limited

Opinion

We have audited the financial statements of Dawson Pennington & Company Limited ("the Company") for the year ended 31 December 2017, which comprise the Statement of Financial Position, Statement of Comprehensive Income and Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its result for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Independent Auditor's Report to the Members of Dawson Pennington & Company Limited

Directors' responsibilities

As explained more fully in their statement set out on page 5 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; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities for the audit of the financial statements is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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



Rajan Thakrar (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

Date: 11 September 2018

Dawson Pennington & Company Limited

Statement of Comprehensive Income for the Year Ended 31 December 2017

	Note	2017 £	2016 £
Turnover		-	-
Operating profit/(loss)	3	-	-
Profit/(loss) before tax		-	-
Total comprehensive profit for the year		-	-

During the financial year and the preceding year the company did not trade and received no income and incurred no expenditure. Consequently, during this period the Company made neither a profit or a loss.

The notes on pages 11 to 16 form an integral part of these financial statements.

Dawson Pennington & Company Limited

(Registration number: 00991769)

Statement of Financial Position as at 31 December 2017

	Note	2017 £	2016 £
Assets			
Non-current assets			
Investments in subsidiary undertakings	6	<u>200,206</u>	<u>200,205</u>
Current assets			
Trade and other receivables	7	<u>1,547</u>	<u>1,547</u>
Total assets		<u><u>201,753</u></u>	<u><u>201,752</u></u>
Equity and liabilities			
Equity			
Called up share capital	8	1,547	1,547
Current liabilities			
Trade and other payables	9	<u>200,206</u>	<u>200,205</u>
Total equity and liabilities		<u><u>201,753</u></u>	<u><u>201,752</u></u>

Approved by the Board on 11 September 2018 and signed on its behalf by:



A Erotocritou

Director

The notes on pages 11 to 16 form an integral part of these financial statements.

Dawson Pennington & Company Limited

Statement of Changes in Equity for the Year Ended 31 December 2017

	Share capital £	Total £
At 1 January 2017	<u>1,547</u>	<u>1,547</u>
At 31 December 2017	<u><u>1,547</u></u>	<u><u>1,547</u></u>

	Share capital £	Total £
At 1 January 2016	<u>1,547</u>	<u>1,547</u>
At 31 December 2016	<u><u>1,547</u></u>	<u><u>1,547</u></u>

The notes on pages 11 to 16 form an integral part of these financial statements.

Dawson Pennington & Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

1 Authorisation of financial statements

The Company is a private company limited by share capital incorporated and domiciled in the United Kingdom.

These financial statements for the year ended 31 December 2017 were authorised for issue by the Board on 11 September 2018 and the statement of financial position was signed on the board's behalf by A Erotocritou.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

These financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework'.

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

These financial statements have been prepared on a historical cost basis. The financial statements are presented in GBP sterling (£), which is also the Company's functional currency.

Summary of disclosure exemptions

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

In these financial statements, the Company has taken advantage of the following disclosure exemptions under FRS 101 where relevant:

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures and of paragraphs 91-99 of IFRS 13 Fair Value Measurement apart from those which are relevant for the financial statements which are held at fair value not held as part of a trading portfolio;
- (b) the requirements in paragraph 10(d) and 111 of IAS 1 Presentation of Financial Statements to prepare a Cash flow statement and the requirements in IAS 7 Statement of Cash Flows regarding the same;
- (c) the requirements in paragraph 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements, which includes the need to provide details on capital management;
- (d) the requirements of paragraphs 30 and 31 in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors regarding disclosure of new IFRS standards not yet effective at the reporting date and their potential impact;

Dawson Pennington & Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

2 Accounting policies (continued)

(e) the requirements in paragraphs 17 and 18A of IAS 24 Related Party Disclosures around the need to disclose information on key management personnel and details on related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member;

(f) the requirements of paragraphs 134(d) - 134(f) and 135(c) - 135(e) of IAS 36 Impairment of Assets in respect of disclosure of assumptions on which projections used in the impairment review are based and sensitivity analysis.

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

Going Concern

The financial statements of the Company have been prepared on a going concern basis. At 31 December 2017 the Company had net assets of £1,547 (2016: £1,547) and net current liabilities of £198,659 (2016: £198,658). The net current liabilities include amounts receivable from related parties of £1,547 (2016: £1,547), and amounts due to related parties of £200,206 (2016: £200,205).

The Directors believe 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 with the support offered by Ardonagh Midco 3 Plc. This assessment included:

- The current capital structure and liquidity of the Group and its base case and stressed cash flow forecasts over the calendar years 2018 and 2019.
- The principal risks facing the Group and its systems of risk management and internal control.

In June 2018 the Group issued a further £98.3m of 8.375% senior secured notes of which £45.0m was used to fully repay outstanding borrowings under the Group's RCF.

Key assumptions made in the base case are that the Group:

- Invests to complete the major business transformation projects involving the finance function and broker systems consolidation and achieves the projected synergies
- Continues to benefit from a Revolving Credit Facility which was undrawn at 30 June 2018 (see Note 19).
- Commences settlement of Enhanced Transfer Value ('ETV') pension redress payments payable by its Towergate Financial subsidiary businesses in the third quarter of 2018 and completes the redress exercise over a 24 month period.

Dawson Pennington & Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

2 Accounting policies (continued)

Key stress scenarios considered in the base case are:

- A shortfall in base case projected operating cash flows due to adverse economic conditions, project over-spend and project delays.
- Other potential cashflow reductions through contract buy-outs and Towergate legacy issues.
- Deterioration in the quantum and acceleration of the settlement profile of the ETV liabilities compared to the base case (see Note 22).
- Mitigating actions within Management's control such as:
 - o Delaying capital expenditure and 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.
 - o Other mitigating factors such as raising additional debt, additional shareholder support, and the potential sale of non-core assets from the Group.

Following their assessment of the Group's financial position and ability to continue 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.

Impairment of fixed assets

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

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units. A cash-generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets.

Calculation of recoverable amount

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Reversals of impairment

An impairment loss is reversed on intangible assets if subsequent external events reverse the effect of the original event which caused the recognition of the impairment or the loss arose on an intangible asset with a readily ascertainable market value and that market value has increased above the impaired carrying amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Dawson Pennington & Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

2 Accounting policies (continued)

Financial assets

Financial assets are initially measured at fair value plus directly attributable transaction costs. The company's financial assets include cash, trade and other receivables and other non-current financial assets. The subsequent measurement of financial assets depends on their classification:

Other non-current assets represent investments in subsidiary undertakings. They are stated at cost less provision for impairment for any diminution in value.

Trade receivables are recognised initially at fair value and subsequently at amortised cost, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, dispute, default or delinquency in payments are considered indicators that the receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables.

Financial liabilities

Financial liabilities within the scope of IAS 39 are initially classified as financial liabilities at fair value plus directly attributable transaction costs. The Company's financial liabilities include trade and other payables. The subsequent measurement of financial liabilities depends on their classification.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

3 Operating profit

The audit fee of £4,200 (2016: £3,884) for the audit of this Company was paid by other Group entities for which no recharge was made.

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

4 Staff costs

The Company had no employees in the current year or the preceding year. All administration is performed by employees of the Group and no recharge has been made to the Company.

5 Directors' remuneration

Directors emoluments of £10,000 for services provided to this Company have been paid by other Group entities, which make no recharge to the Company.

Dawson Pennington & Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

6 Investments in subsidiary undertakings

Subsidiaries	£
Cost or valuation	
At 1 January 2017	393,033
Additions	<u>1</u>
At 31 December 2017	<u>393,034</u>
Provision for impairment	
At 1 January 2017	<u>192,828</u>
At 31 December 2017	<u>192,828</u>
Carrying amount	
At 31 December 2017	<u>200,206</u>
At 31 December 2016	<u>200,205</u>

Details of the subsidiaries as at 31 December 2017 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2017	2016
Chorlton Cloughley Group Limited	Dormant	England	100%	100%
Ardonagh TM Holdco Limited	Dormant	England	100%	0%

The registered office address of Chorlton Cloughley Group Limited is Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, Kent, ME14 3EN.

Ardonagh TM Holdco Limited, formerly known as The Kyros Risk Group Limited, was incorporated on the 31 March 2017 and rebranded on the 14 September 2017. The registered address for Ardonagh TM Holdco Limited is 55 Bishopsgate, London, England, EC2N 3AS.

7 Trade and other receivables

	2017	2016
	£	£
Receivables from related parties	<u>1,547</u>	<u>1,547</u>

Dawson Pennington & Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

8 Share capital

Allotted, called up and fully paid shares

	2017		2016	
	No.	£	No.	£
Ordinary Shares of £1 each	<u>1,547</u>	<u>1,547</u>	<u>1,547</u>	<u>1,547</u>

9 Trade and other payables

	2017	2016
	£	£
Current trade and other payables		
Amounts due to related parties	<u>200,206</u>	<u>200,205</u>

10 Related party transactions

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

11 Ultimate parent company

The Group's majority shareholder is HPS Investment Partners LLC. At 31 December 2017, the ultimate parent company was The Ardonagh Group Limited (incorporated in Jersey, registered office address, 47 Esplanade, St Helier, Jersey, JE1 0BD). The Ardonagh Group Limited is the largest group in which the results are consolidated and its financial statements are available upon request from:

Towergate House
Eclipse Park
Sittingbourne Road
Maidstone
Kent
ME14 3EN