THE Ardonagh GROUP

REPORT TO INVESTORS

FOR THE THREE MONTHS ENDED 31 MARCH 2021

THE ARDONAGH GROUP
2 Minster Court, Mincing Lane, London, EC3R 7PD, United Kingdom
www.ardonagh.com

The Ardonagh Group is a trading name of The Ardonagh Group Limited. Registered in Jersey No. 117710.
Registered address: 44 Esplanade, St Helier, Jersey, JE4 9WG. Authorised and regulated by the Financial Conduct Authority.

CONTENTS

SECTION 1

BUSINESS REVIEW

FOR THE THREE MONTHS ENDED 31 MARCH 2021

DISCLAIMER

This document has been prepared by The Ardonagh Group Limited and is its sole responsibility. For the purposes hereof, this document shall mean and include all of the sections of this document, any oral presentation by Ardonagh or any person on its behalf, any question-and-answer session in relation to this document, and any materials distributed at, or in connection with, any of the above.

The information contained in the unaudited sections of this document has not been independently verified and some of that information is in summary form. No representation or warranty, express or implied, other than that implied or required by law is or will be made by any person as to, and no reliance should be placed on, the accuracy, fairness or completeness of the information or opinions expressed in such sections of this document. No responsibility or liability other than that implied by law is or will be accepted by Ardonagh, its shareholders, subsidiaries or affiliates or by any of their respective officers, Directors, employees or agents for any loss howsoever arising, directly or indirectly, from any use of this document or its contents or attendance at any presentation or question-and-answer session in relation or in connection with this document.

Ardonagh cautions that this document may contain forward-looking statements in relation to certain of Ardonagh's business, plans and current goals and expectations, including, but not limited to, its future financial condition, performance and results. 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. Any projections or forward-looking information (including any underlying assumptions) contained herein are not to be viewed as facts and are subject to significant uncertainties and contingencies, many of which are beyond the control of Ardonagh. By their very nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Ardonagh's control, including but not limited to insurance pricing, interest and exchange rates, inflation, competition and market structure, acquisitions and disposals, and regulation, tax and other legislative changes in those jurisdictions in which Ardonagh, its subsidiaries and affiliates operate. In particular, the unprecedented and rapidly evolving nature of the global COVID-19 pandemic (including the short-term and long-term effects thereof) creates unprecedented and extraordinary uncertainties for most businesses including Ardonagh and its subsidiaries and affiliates. As a result, Ardonagh's actual future financial condition, performance and results of operations may differ materially from the plans, goals and expectations set out in any forward-looking statement made by Ardonagh. All subsequent written or oral forward-looking statements attributable to Ardonagh or to persons acting on its behalf should be interpreted as being qualified by the cautionary statements included herein. As a result, undue reliance should not be placed on these forward-looking statements.

The information and opinions contained in this document have not been audited (unless otherwise stated) or, other than the information contained in Section 2 (Unaudited interim condensed consolidated Financial Statements), necessarily been prepared in accordance with International Financial Reporting Standards and are subject to change without notice. The financial results in Sections 1 and 3 of this document include certain financial measures and ratios, including EBITDA and Adjusted EBITDA.

Adjusted EBITDA Pro Forma for Completed Transactions and certain other related measures are not presented in accordance with IFRS. These measures may not be comparable to those of other companies. Reference to these non-IFRS financial measures should be considered in addition to IFRS financial measures but should not be considered a substitute for results that are presented in accordance with IFRS.

The information contained in this document, including but not limited to any forward-looking statements, is provided as of the date hereof and is not intended to give any assurance as to future results. No person is under the obligation to update, complete, revise or keep current the information contained in this document, whether as a result of new information, future events or results or otherwise. The information contained in this document may be subject to change without notice and will not be relied on for any purpose.

Certain data contained in these financial results, including financial information, may be subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables may not conform exactly to the total figure given for that column or row.

This report comprises three sections and should be read in conjunction with the investor presentation, issued at the same time as this report and is available on the website https://www.ardonagh.com/investors/financial-results.

Section 1: Business review for the three months ended 31 March 2021. Financial information in Section 1 has been presented on Reported and Pro Forma bases. Information shown on a Reported basis is presented in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) with acquisitions, disposals and refinancing transactions reflected from the date the acquisition or refinancing completed. Pro Forma for Completed Transactions are presented as if significant acquisitions, disposals and refinancing transactions occurred on the first day of the comparative period and therefore current and prior period information is presented on a like-for-like basis to enable meaningful comparisons to be made. Significant acquisitions and disposals included in the Pro Forma for Completed Transactions information are the acquisition of Headley Holdings Limited (completed 4 January 2021), the acquisition of MCM Insurance Brokers Limited (completed 14 January 2021), the acquisition of Resilium Pty Limited (completed 15 February 2021), the acquisition of Hera Indemnity Limited (completed 2 March 2021), the acquisition of AccuRisk Solutions (completed 30 March 2021), the acquisition of the business and assets of Hemsley Wynne Furlonge LLP (completed 31 March 2021), the acquisition of Marmalade Limited (completed 31 March 2021). In 2020, the significant acquisitions and disposals included in the Pro Forma for Completed Transactions information are the disposal of the Milburn Insurance Brokers business (completed 1 November 2020), the acquisition of a business and certain assets of Rural Insurance Group Limited (completed 28 February 2020), the acquisition of the Nevada 5 Topco Limited group of businesses (including Arachas Topco Limited; completed 14 July 2020), the acquisition of the Nevada 4 Midco 1 Limited group of businesses (including Bravo Investment Holdings Limited; completed 14 July 2020), the acquisition of Thames Underwriting Limited (completed 12 August 2020), the acquisition of Guy Penn & Company Limited (completed 13 August 2020), the acquisition of Lloyd Latchford Group Limited (completed 30 September 2020), the acquisition of the marine and leisure business and certain assets from KGM Underwriting Services Limited (completed 1 November 2020) and the acquisition of the Robus Group Limited group of businesses (completed 1 December 2020). Refinancing transactions included in the Pro Forma relate to the Group refinancing completed on 14 July 2020.

Section 2: Unaudited interim condensed consolidated financial statements for the three months ended 31 March 2021. Information presented in this section is in accordance with IFRS as adopted by the EU with acquisitions, disposals and refinancing transactions reflected from the date the acquisition or refinancing completed.

Section 3: Other unaudited financial information provides detailed reconciliations between Reported and Pro Forma results and a glossary of terms.

OUR BUSINESSES

Our business is organised into four operating segments that focus on distinct but complementary aspects of the insurance brokerage and services value chain: Ardonagh Advisory, Ardonagh Retail, Ardonagh Specialty and Ardonagh International which are detailed below.

ARDONAGH ADVISORY

Ardonagh Advisory is comprised of: Towergate Insurance Brokers (TIB), Riskline, Health and Protection, Footman James, Ethos Broking and Networks, that collectively provide a broad array of broking products and risk management services to commercial clients and connected individuals from our network of local offices across the United Kingdom. As a trusted advisor we offer face-to-face, over the telephone or an online relationship to our clients to provide them with a tailored insurance broking service with a wide choice and access to specialist products and solutions designed to meet their individual needs across the full spectrum of commercial, corporate and personal classes.

TIB and Health and Protection products are sold mainly through face to face relationships via the Towergate brand. Riskline is a centre of excellence selling to micro small and medium enterprises (SME) and SME clients over the telephone and online. Footman James is a well-respected brand within the classic car insurance sector selling direct to consumers and, as such, aligns to our broader high net worth proposition across Advisory as a whole. Ethos and Networks provide insurance broking and member services with an SME focus via community broking offices and a network presence. As a member of the Worldwide Broker Network, TIB works with like-minded brokers around the world to deliver cross-border collaboration on behalf of its clients, giving us a global reach.

ARDONAGH RETAIL

Ardonagh Retail is comprised of: Swinton, Autonet, Carole Nash, Paymentshield, Healthy Pets and Lloyd Latchford. Swinton is one of the largest personal lines insurance brokers in the UK, with a well-recognised, heritage consumer brand. Autonet is a leading van insurance broker in the UK, distributing insurance products online through price comparison websites as well as directly through the Autonet website and call centres. Carole Nash is a leading motorcycle and classic car insurance broker in the UK and Ireland, and a specialist brand renowned for quality and service. Paymentshield is a leading provider and administrator of general insurance solutions distributed through independent financial advisors, mortgage networks and other intermediaries. It is focused on the supply of household related products, such as buildings and contents insurance, mortgage payment protection insurance, income protection and landlord insurance products.

ARDONAGH SPECIALTY

Ardonagh Specialty is comprised of: Price Forbes, Bishopsgate and MGA. Price Forbes and Bishopsgate are both Lloyd's of London brokers which together 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. Price Forbes is a leading international wholesale insurance broker with a globally recognised brand that trades in major international insurance and reinsurance markets, including London, Bermuda and South Africa and Bishopsgate is a primarily UK and North American binding authority wholesale broking business. MGA primarily focuses on providing bespoke specialist insurance products and services for and on behalf of our strategic insurer partners. MGA is a full service managing general agency, with delegated underwriting authority from insurers while assuming no underwriting liability. MGA focuses on niche and specialty business, including agriculture, non-standard home and political violence, selling through brokers.

ARDONAGH INTERNATIONAL

Ardonagh International is comprised of Arachas and Ardonagh Global Partners and consists of primarily non-UK broking enterprises and related investments. The Arachas business is the largest SME-focused commercial insurance broker in Ireland with specialised offerings and a nationwide reach that has allowed the business to quickly gain a leading position in its core markets. Ardonagh Global Partners was formed following the February 2021 expansion into Australia with the acquisition of Resilium, Australia's largest independently owned intermediary network. A further two Global Partners investments were made in March 2021. Firstly, into Hemsley Wynne Furlonge (HWF), a specialist M&A insurance broker with offices in London and Germany that has advised on over 2,000 transactions spanning 51 countries, with deal values ranging from £5.0m to in excess of £8.0bn. Secondly, into AccuRisk Solutions, a Chicago-based managing general underwriter specialising in medical stop loss, occupational accident and supplemental health products for small and mid-sized businesses.

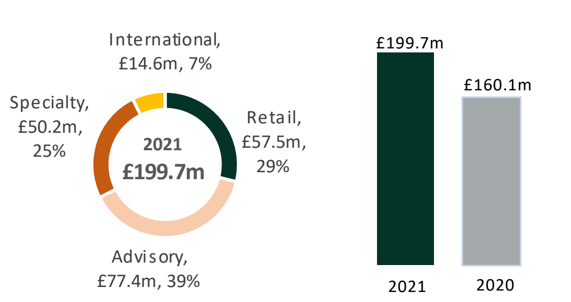
CORPORATE

The Group maintains a non-operating segment comprising central costs and income not allocated to the platforms. These costs include Group board costs and Group function costs, including certain legal and regulatory expenses. Income in this segment primarily relates to interest income.

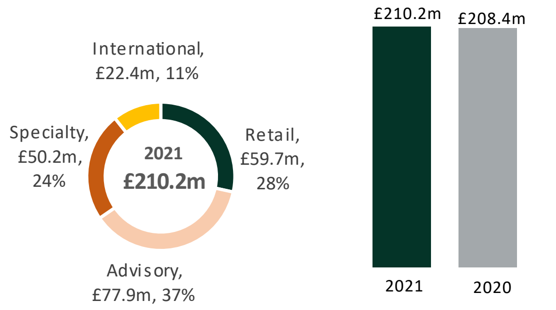
HIGHLIGHTS AND KEY PERFORMANCE INDICATORS
FOR THE THREE MONTHS ENDED 31 MARCH 2021

REPORTED	PRO FORMA FOR COMPLETED TRANSACTIONS

TOTAL INCOME*

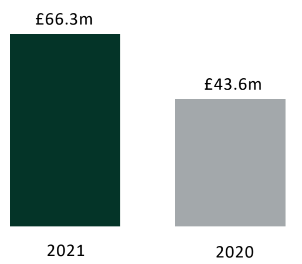


TOTAL INCOME

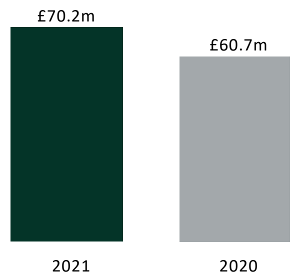


* Includes Non-UK income of £42.5m (2020: £25.9m)

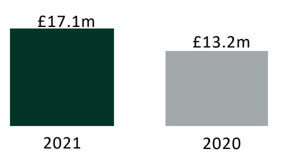
ADJUSTED EBITDA



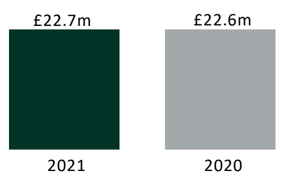
ADJUSTED EBITDA



OPERATING PROFIT



OPERATING PROFIT



Available liquidity

31 March 2021:	**£411.5m**	**31 December 2020:**	**£596.0m**

Pro Forma measures are used in addition to IFRS measures to improve comparability. Pro Forma for Completed Transactions as set out here includes the acquisition of Headley Holdings Limited (completed 4 January 2021), the acquisition of MCM Insurance Brokers Limited (completed 14 January 2021), the acquisition of Resilium Pty Limited (completed 15 February 2021), the acquisition of Hera Indemnity Limited (completed 2 March 2021), the acquisition of Accurisk Solutions (completed 30 March 2021), the acquisition of the business and assets of Hemsley Wynne Furlonge LLP (completed 31 March 2021), the acquisition of Marmalade Limited (completed 31 March 2021). In 2020, the significant acquisitions and disposals included in the Pro Forma for Completed Transactions information are the disposal of the Milburn Insurance Brokers business (completed 1 November 2020), the acquisition of a business and certain assets of Rural Insurance Group Limited (completed 28 February 2020), the acquisition of the Nevada 5 Topco Limited group of businesses (including Arachas Topco Limited; completed 14 July 2020), the acquisition of the Nevada 4 Midco 1 Limited group of businesses (including Bravo Investment Holdings Limited; completed 14 July 2020), the acquisition of Thames Underwriting Limited (completed 12 August 2020), the acquisition of Guy Penn & Company Limited (completed 13 August 2020), the acquisition of Lloyd Latchford Group Limited (completed 30 September 2020), the acquisition of the marine and leisure business and certain assets from KGM Underwriting Services Limited (completed 1 November 2020) and the acquisition of the Robus Group Limited group of businesses (completed 1 December 2020). Refinancing transactions included in the Pro Forma relate to the Group refinancing completed on 14 July 2020.

Adjusted EBITDA is used by the business as an indication of the underlying profitability of the business. Certain costs have been excluded from Adjusted EBITDA, as set out in the reconciliations in Section 3, to better reflect expected ongoing performance.

Definitions of KPIs and other alternative performance measures (APMs) are set out in the glossary of terms in Section 3.

GROUP FINANCIAL PERFORMANCE

Period ended 31 March (£ million)	Reported			Pro Forma for Completed Transactions		
	2021	2020	Change	**2021**	2020	Change
Total income	**199.7**	160.1	39.6	**210.2**	208.4	1.8
Adjusted EBITDA	**66.3**	43.6	22.7	**70.2**	60.7	9.4
EBITDA	**46.1**	34.9	11.2	**51.2**	49.0	2.2
Operating profit	**17.1**	13.2	3.9	**22.7**	22.6	0.1
Loss for the period	**(22.8)**	(13.7)	(9.1)	**(19.3)**	(24.3)	5.0

2021 quarter one has been very successful for the Group following on from a very positive 2020 financial year. Financial performance has improved year on year across all our key metrics, reflecting both organic growth and the impact of acquisitions.

Reported results

Total income increased by £39.6m to £199.7m (2020: £160.1m), and **Adjusted EBITDA** increased by £22.7m to £66.3m (2020: £43.6m). There has been income growth which is predominantly a result of the combination of material acquisitions alongside organic growth in both Advisory and Specialty partially offset by the effect of Covid-19 largely restricted to Retail. Adjusted EBITDA has increased by 52.1%, from both acquisitions and organic growth alongside cost saving initiatives converting into reported earnings.

Ardonagh has continued to deliver significant synergies from the integration of acquisitions and cost savings from leveraging combined scale and best practices across the businesses.

Acquisitions completed by the Group are included in the results from the date they were acquired. The acquisitions that completed during the quarter and the dates that they were acquired are: Sino Insurance Brokers Limited on 1 January 2021, Headley Holdings Limited on 4 January 2021, MCM Insurance Brokers Limited on 14 January 2021, Resilium Pty Limited on 15 February 2021, Hera Indemnity Limited on 2 March 2021, Orange Bear Limited on 12 March 2021, AccuRisk Solutions on 30 March 2021, the business and assets of Hemsley Wynne Furlonge LLP on 31 March 2021 and Marmalade Limited on 31 March 2021 .

Adjusted EBITDA excludes spend considered by management to be material and specific to the Group's significant transformation initiatives including transformational hires, business transformation, legacy costs and other costs. Transformational hires represent investment in teams and individuals to drive future transformational growth, primarily in the Specialty platform. This includes recruitment costs, sign-on fees, retention and other costs. Business transformation represents costs to deliver benefits from ongoing transformation and cost reduction projects plus integration costs to realise synergy benefits from recent acquisitions. Legacy costs include costs associated with historic commercial disputes, write downs of legacy balances, adjustments to historic retention schemes, and the provision for obligations to make redress payments in respect of historical pension transfer advice (enhanced transfer values ("ETV")). Other costs relate to Covid-19 and share-based payment schemes.

EBITDA has increased by £11.2m to £46.1m (2020: £34.9m) driven by a £22.7m improvement in Reported Adjusted EBITDA offset by increased acquisition and financing and regulatory costs of £9.9m. Cost savings are expected to continue to deliver into underlying EBITDA as programmes continue across all our operating segments.

Operating profit improved by £3.9m to a profit of £17.1m (2020: £13.2m), primarily due to the impact of acquisitions combined with the delivery of cost savings.

Loss for the period increased by £(9.1)m to £(22.8)m (2020: £(13.7)m). Whilst the operating result improved by £3.9m, this has been offset by increased financing costs (see Borrowings note 20).

GROUP FINANCIAL PERFORMANCE

Pro Forma for Completed Transactions results

The Pro Forma results reflect any material acquisitions or disposals as if they had occurred on 1 January of the immediately preceding comparative period.

Total Income increased by £1.8m to £210.2m (2020: £208.4m) after adjusting for completed acquisitions. Strong organic growth in Specialty, particularly in Casualty and International Property, has been partially offset by the effect of Covid-19, which has been largely limited to Retail.

Adjusted EBITDA increased by £9.4m to £70.2m (2020: £60.7m) after adjusting for completed acquisitions. Organic growth has been seen in all platforms despite the impact of the Covid-19 pandemic, through organic income growth combined with the delivery of cost savings and synergies to drive margin improvement.

EBITDA increased by £2.2m to £51.2m (2020: £49.0m) after adjusting for completed acquisitions. This reflects the increase in Total Income, disciplined cost containment in response to Covid-19 and strong delivery of the cost reduction programmes across all segments.

Operating profit increased by £0.1m to £22.7m (2020: £22.6m) after adjusting for completed acquisitions. This reflects Total Income movements offset by costs related to significant transformation initiatives.

Loss for the period improved by £5.0m to £(19.3)m (2020: £(24.3)m) after adjusting for completed acquisitions. This primarily reflects a £2.0m increase in the tax credit in the year.

A detailed reconciliation between Reported and Pro Forma for Completed Transactions results can be found in Section 3 of this report.

GROUP FINANCIAL CONDITION

Interim condensed consolidated statement of financial position

Extracts from the Group's interim condensed consolidated statement of financial position as at 31 March 2021 and 31 December 2020 are presented below.

	31 March 2021 (unaudited) £m	31 December 2020 (audited) £m
Intangible assets	**1,826.1**	1,635.3
Property, plant and equipment	**26.7**	27.1
Other non-current assets	**99.9**	87.5
Non-current assets	**1,952.7**	1,749.9
Cash and cash equivalents	**582.5**	585.6
Current assets - excluding cash and cash equivalents	**341.0**	284.7
Current liabilities	**(749.5)**	(716.3)
Net current assets	**174.0**	154.0
Non-current liabilities	**(2,290.7)**	(2,053.1)
Net liabilities	**(164.0)**	(149.2)

Intangible assets increased by £190.8m during the period driven primarily by acquisitions made, see note 10, including Resilium Pty Limited (£40.5m), Hera Indemnity Limited (£21.7m), AccuRisk Solutions (£21.7), Hemsley Wynne Furlonge LLP (£71.5m) and Marmalade Limited (£26.5m).

The £56.3m increase in current assets during the period, excluding cash and cash equivalents, is primarily driven by an increase in insurance debtors, accrued income and other receivables / debtors during the period.

Current liabilities have increased by £33.2m during the period, primarily driven by an increase in insurance creditors offset by a reduction in Borrowings due to the timing of interest payments and a decrease in Provisions due to further redress payments made under the ongoing Enhanced Transfer Value programme partially offset by an increase in Trade and other payables.

The increase in Non-current liabilities of £237.6m during the period is mainly due to an increase in Borrowings of £167.8m, primarily draw downs on the CAR facility to fund acquisitions during the period, coupled with an increase in Trade and other payables of £52.7m relating to an increase in contingent consideration payable and share buy-out liabilities.

LIQUIDITY & CAPITAL RESOURCES

Principal risks and uncertainties

There have been no material changes to the operational risk factors as explained in the Strategic Report of the Group's Annual Report for the year ended 31 December 2020.

Liquidity and capital resources

Proactive and careful management of our liquidity continues to be a key priority for the Group, utilising both medium (12 months rolling) and short-term (13 weeks rolling) forecasts. This forecasting gives the Group visibility around any potential liquidity constraints, and management is confident that the Group will be able to meet expected cash outflows and debt covenant requirements while maintaining a liquidity buffer to manage any variability in terms of timing and amounts. The Group may also utilise its revolving credit facility ("RCF").

During the period the Group generated a positive cash inflow from operations and borrowed £150.0m under the Capex, Acquisition and Re-organisation (CAR) facility. This was primarily offset by interest payments of £51.2m and the acquisition of businesses net of acquired cash of £60.8m.

The GBP (£) and Euro (€) privately placed term facility due 2026 and the USD ($) PIK toggle notes due 2027 are reflected in these consolidated financial statements on an amortised cost basis (see note 20). The USD Notes have been converted to GBP at the 31 March 2021 foreign exchange rate of 1.37857 and the Euro Notes at a rate of 1.17553.

The Group periodically explores opportunities to repay, prepay, repurchase, refinance or extend its existing indebtedness prior to the scheduled maturity of such indebtedness, and/or amend its terms with the requisite consent of lenders as part of the Group's continuing efforts to manage its capital structure. The Group may also incur additional indebtedness to the extent permitted by the covenants of existing indebtedness or with the requisite consent of lenders, including in connection with the Group's evaluation of strategic expansion and acquisition opportunities where the Group regularly reviews acquisition targets and its financing arrangements and may from time to time announce new acquisitions or amendments to the financing arrangements in line with its business strategy.

Gross secured debt

	31 March 2021 £ million	31 December 2020 £ million
GBP 1,412.8m Term facility due 2026	**1,429.0**	1,412.8
EUR 180.0m Term facility due 2026	**154.9**	160.9
GBP 300.0m CAR facility due 2026	**200.0**	50.0
GBP 191.5m revolving credit facility due 2026	**-**	-
USD 500.0m PIK toggle Notes due 2027	**385.9**	365.9
Adjustment to debt carrying value	**(103.4)**	(105.4)
Total gross secured debt	**2,066.4**	1,884.2

Additionally, the Group has issued AUD 10.0m loan notes with a carrying value of £5.5m.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and capital resources *(continued)*

Cash balances and Available Liquidity

	31 March 2021 £ million	31 December 2020 £ million
Own funds	**115.5**	140.8
Own funds – restricted	**23.7**	23.9
Own funds – ETV	**4.5**	13.8
Fiduciary	**438.7**	407.1
Total Cash	**582.4**	585.6
Less fiduciary and restricted (excluding ETV)	**(462.4)**	(431.1)
Available Cash	**120.0**	154.5
Available RCF	**191.5**	191.5
Available CAR	**100.0**	250.0
Available Liquidity	**411.5**	596.0

As at 31 March 2021, the RCF was undrawn. Under the financing arrangements in place as at 31 March 2021, the RCF commitment was fully available.

On 23 April 2021 the final £100.0m was drawn from the CAR facility to fund acquisitions.

SECTION 2

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 31 MARCH 2021

This page has been intentionally left blank

This page has been intentionally left blank

FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2021

	Note	**Three months ended 31 March (unaudited) 2021 £000**	Three months ended 31 March (unaudited) 2020 £000
Commission and fees	5	**194,599**	155,219
Other income	5	**4,470**	4,087
Investment (expense)/income	5	**(6)**	522
Salaries and associated costs	5	**(94,458)**	(75,113)
Other operating costs	5	**(58,937)**	(48,095)
Impairment of financial assets	5	**(2,497)**	(2,081)
Depreciation, amortisation and impairment of non-financial assets	5	**(26,340)**	(21,796)
Share of profit from joint venture	13	**284**	372
Share of profit from associate	13	**21**	108
Operating profit		**17,136**	13,223
Gain on revaluation of associate	5	**1,459**	-
Finance costs	6	**(43,639)**	(27,209)
Finance income	6	**637**	227
Loss before tax		**(24,407)**	(13,759)
Tax credit	5	**1,618**	83
Loss for the period		**(22,789)**	(13,676)
Attributable to:			
Owners of the parent		**(23,028)**	(14,574)
Non-controlling interests		**239**	898
Loss for the period		**(22,789)**	(13,676)

The notes on pages 19 to 52 form an integral part of these interim condensed consolidated financial statements.

FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2021

	Note	**Three months ended 31 March (unaudited) 2021 £000**	Three months ended 31 March (unaudited) 2020 £000
Loss for the period		**(22,789)**	(13,676)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(1,772)**	459
Change in costs of hedging reserve	18	**1,261**	(1,386)
Change in cash flow hedging reserve	18	**(1,642)**	(1,366)
Income tax relating to these items		**72**	485
Loss on financial assets at FVTOCI		**(19)**	-
Other comprehensive expense for the period		**(2,100)**	(1,808)
Total comprehensive loss for the period		**(24,889)**	(15,484)
Attributable to:			
Owners of the parent		**(25,128)**	(16,382)
Non-controlling interests		**239**	898
Total comprehensive loss for the period		**(24,889)**	(15,484)

The notes on pages 19 to 52 form an integral part of these interim condensed consolidated financial statements.

FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Note	**31 March 2021 (unaudited) £000**	31 December 2020 (audited) £000
Non-current assets			
Intangible assets	9	**1,826,052**	1,635,322
Property, plant and equipment	11	**26,717**	27,110
Right-of-use assets	12	**44,025**	41,052
Investment in associates and joint ventures	13	**4,612**	8,759
Financial assets at fair value through other comprehensive income	17	**289**	285
Trade and other receivables	15	**36,212**	24,183
Contract assets		**3,180**	2,663
Other assets		**11,005**	10,049
Derivatives	18	**576**	446
		1,952,668	1,749,869
Current assets			
Cash and cash equivalents	14	**582,469**	585,637
Trade and other receivables	15	**277,277**	219,318
Derivatives	18	**2,970**	3,098
Contract assets		**11,901**	11,482
Other assets		**25,987**	25,439
Financial assets at fair value through profit or loss	17	**14**	14
Current tax asset		**-**	1,145
Assets held for sale	7	**22,896**	24,146
		923,514	870,279
Current liabilities			
Trade and other payables	19	**(662,227)**	(594,694)
Borrowings	20	**(26,355)**	(46,909)
Lease liabilities	12	**(13,750)**	(12,997)
Derivatives	18	**(923)**	(508)
Contract liabilities		**(27,760)**	(30,856)
Provisions	21	**(16,369)**	(28,359)
Current tax liability		**(2,078)**	(1,978)
		(749,462)	(716,301)
Net current assets		**174,052**	153,978
Non-current liabilities			
Trade and other payables	19	**(70,099)**	(17,367)
Borrowings	20	**(2,090,159)**	(1,922,353)
Lease liabilities	12	**(38,910)**	(36,882)
Derivatives	18	**(55,435)**	(50,735)
Contract liabilities		**(1,183)**	(1,288)
Provisions	21	**(14,411)**	(13,863)
Deferred tax liabilities	8	**(20,526)**	(10,589)
		(2,290,723)	(2,053,077)
Net liabilities		**(164,003)**	(149,230)

FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Note	**31 March 2021 (unaudited) £000**	31 December 2020 (audited) £000
Capital and reserves attributable to the Group's shareholders			
Share capital	22	**8,597**	8,593
Share premium	22	**992,693**	991,771
Retained losses		**(1,007,237)**	(994,952)
Hedging reserves		**(5,973)**	(5,664)
Treasury share reserve		**(137,577)**	(136,005)
Foreign currency translation reserve		**(5,040)**	(3,268)
Shareholders' equity		**(154,537)**	(139,525)
Non-controlling interest		**(9,466)**	(9,705)
Total equity		**(164,003)**	(149,230)

The notes on pages 19 to 52 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 19 May 2021 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 2021

	Share capital £000	Share premium £000	Retained losses £000	Hedging reserves £000	Treasury share reserve £000
At 1 January 2021	**8,593**	**991,771**	**(994,952)**	**(5,664)**	**(136,005)**
(Loss)/profit for the period	**-**	**-**	**(23,028)**	**-**	**-**
Other comprehensive expense	**-**	**-**	**(19)**	**(309)**	**-**
	8,593	**991,771**	**(1,017,999)**	**(5,973)**	**(136,005)**
Share-based payment scheme	**-**	**-**	**(160)**	**-**	**-**
Issue of share capital	**4**	**922**	**-**	**-**	**(1,572)**
Transactions with non-controlling interest	**-**	**-**	**10,922**	**-**	**-**
At 31 March 2021 (unaudited)	**8,597**	**992,693**	**(1,007,237)**	**(5,973)**	**(137,577)**

	Foreign currency translation reserve £000	Total share-holders' equity £000	Non-controlling interest £000	Total equity £000
At 1 January 2021	**(3,268)**	**(139,525)**	**(9,705)**	**(149,230)**
(Loss)/profit for the period	**-**	**(23,028)**	**239**	**(22,789)**
Other comprehensive expense	**(1,772)**	**(2,100)**	**-**	**(2,100)**
	(5,040)	**(164,653)**	**(9,466)**	**(174,119)**
Share-based payment scheme	**-**	**(160)**	**-**	**(160)**
Issue of share capital	**-**	**(646)**	**-**	**(646)**
Transactions with non-controlling interest	**-**	**10,922**	**-**	**10,922**
At 31 March 2021 (unaudited)	**(5,040)**	**(154,537)**	**(9,466)**	**(164,003)**

The notes on pages 19 to 52 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 2020

	Share capital £000	Share premium £000	*Retained losses £000	Hedging reserves £000	Treasury share reserve £000
At 1 January 2020	7,331	740,886	(656,383)	1,806	(11,015)
(Loss)/profit for the period	-	-	(14,574)	-	-
Other comprehensive income	-	-	-	(2,267)	-
	7,331	740,886	(670,957)	(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	(14,276)	-	-
At 31 March 2020 (unaudited)	7,425	751,583	(685,581)	(461)	(11,272)

	Foreign currency translation reserve £000	Total shareholders' equity £000	Non-controlling interest £000	Total equity £000
At 1 January 2020	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)
	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	-	(3,935)	(4,064)	(7,999)
At 31 March 2020 (unaudited)	763	62,457	903	63,360

*The Group subsumed its non-controlling interest reserve, which was previously presented separately, within retained losses. The amount subsumed was £7.4m at 31 December 2019.

The notes on pages 19 to 52 form an integral part of these interim condensed consolidated financial statements.

FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2021

	Note	**Three months ended 31 March (unaudited) 2021 £000**	Three months ended 31 March (unaudited) 2020 £000
Cash flows from operating activities			
Net cash inflow from operations	16	**7,889**	2,732
Finance income and Investment income received		**631**	761
Income from associate and joint venture	13	**374**	676
Tax paid		**(555)**	(321)
Settlement of forward contracts		**-**	(216)
Net cash inflow from operating activities		**8,339**	3,632
Cash flows from investing activities			
Acquisition of businesses net of cash acquired	10	**(60,781)**	(23,900)
Purchase of property, plant, equipment and intangible assets		**(4,461)**	(4,241)
Proceeds on disposal of property, plant and equipment		**-**	694
Purchase of financial asset		**(3,407)**	-
Contingent consideration received		**492**	-
Contingent consideration paid		**(7,121)**	-
(Receipt)/repayment of lease receivable		**(134)**	94
Issue of loan		**(12,610)**	-
Net cash outflow from investing activities		**(88,022)**	(27,353)
Cash flows from financing activities			
Interest paid on borrowings		**(51,153)**	(47,744)
Repayments of premium financing		**-**	(4,342)
Debt transaction costs		**-**	(535)
Repayment of lease liabilities		**(3,892)**	(2,969)
Transactions with non-controlling interests		**2,025**	(214)
Purchase of own shares		**(1,816)**	(1,541)
Proceeds from borrowings		**150,000**	70,000
Repayment of borrowings		**(15,339)**	-
Net cash inflow from financing activities		**79,825**	12,655
Net increase / (decrease) in cash and cash equivalents		**142**	(11,066)
Cash and cash equivalents at the beginning of the year	14	**585,637**	410,903
Cash disclosed as held for sale at the beginning of the period		**-**	630
Effect of movements in exchange rates on cash held		**(3,310)**	7,219
Cash and cash equivalents at the end of the period	14	**582,469**	407,686

Cash and cash equivalents include restricted cash (see note 14).

The notes on pages 19 to 52 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 USD 500.0m PIK toggle notes due 2027 indenture and the privately placed term loan facilities agreement due 2026 (incorporating the term, CAR and RCF facilities).

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 2020 were approved by the Board of Directors on 24 March 2021. The report of the auditors on those accounts was unqualified and did not contain an emphasis of matter paragraph.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 2020, 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 18 have been prepared on a going concern basis. At 31 March 2021, the Group had net liabilities of £164.0m (31 December 2020: £149.2m) and net current assets of £174.1m (31 December 2020: £154.0m). The Group reported an operating profit of £17.1m for the three months ended 31 March 2021 (31 March 2020: £13.2m), net cash inflows from operating activities of £8.3m (31 March 2020: £3.6m), cash inflows of £0.1m (31 March 2020: £(11.1)m) and operating cash conversion of 97% (31 December 2020: 97%). Available cash of £120.0m was reported at 31 March 2021 (31 December 2020: £154.5m).

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 change in the Group's capital structure, operations and liquidity following the 14 July 2020 issuance of new borrowings, which the Group used to repay its existing borrowings and to fund acquisitions (see Business Review: Liquidity and Capital Resources). These are reflected in the adjusted base case and stressed cash flow forecasts over the calendar years 2021 and 2022.
- Adjustments included for the forecast cashflows from the material acquisitions completed at the date of finalisation of the Group's base case budget and impact on available and forecast liquidity of subsequent acquisitions completed up to the date of signing.
- 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 and cashflows that arose in the four months ended April 2021, with continued positive financial results.

Key assumptions that the Directors have made in preparing the base case cash flow forecasts are that:

- Following the 14 July 2020 issuance of new borrowings, which the Group used to repay its existing borrowings and to fund acquisitions: (a) the Group will continue to benefit from a £191.5m Revolving Credit Facility that is not drawn at the date of this report, and (b) payment-in-kind interest options are utilised.
- Following the commencement of the main settlement of the ETV liabilities during the third quarter of 2019, the Group materially completes the settlement during the second quarter of 2021.
- Client retention and renewal rates continue to be robust, despite the current economic uncertainty, as the 2021 trading performance continues to demonstrate resilience across the Group.

Key stress scenarios that the Directors have considered include cumulative stresses to the base plan as a result of:

- Shortfalls in base case projected income throughout 2021 and 2022.
- Deterioration in base case cash conversion rates over and above the shortfalls in income.
- Mitigating actions within management control including delayed capital expenditure, a reduction in discretionary spend and some reduction in employee headcount and remuneration.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2 Basis of preparation *(continued)*

The Directors have also modelled reverse stress scenarios, including assessing those that result in a default on our term debt facilities that would require a technical repayment obligation and those that would exhaust available liquidity. The stresses needed for these outcomes to happen significantly exceed the key stress scenarios above and the Directors consider such conditions to be a remote possibility. Other mitigations which may be possible in the stress scenarios but have not been included in the analysis include seeking shareholder support, securitising premium receivables and further incremental and more prolonged cost reductions.

The Directors continue to consider the wider operational consequences and ramifications of the Covid-19 pandemic. In particular:

- The Group has demonstrated the efficiency and stability of the Group's infrastructure and the ability for home working for a significant portion of our employee base.
- Insurance broking is a resilient and defensive market, which has historically had limited impact from past economic or capital market downturns. The Group is highly diversified and not materially exposed to a single carrier, customer or market sector.
- Although Covid-19 developments remain 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 further 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

The Group adopted the ‘Amendments to IFRS 9, and IFRS 7 Interest Rate Benchmark Reform’ issued in September 2019. The amendments provide temporary relief from some of the conditions for applying hedge accounting requirements to hedging relationships directly affected by IBOR reform.

The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness is to be recorded in the income statement. The amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

The Group also adopted the ‘Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform—Phase 2, issued in August 2020 and effective from 1 January 2021’. The phase 2 amendments address issues arising during interest rate benchmark reform, including specifying when the ‘phase 1’ amendments will cease to apply, when hedge designations and documentation should be updated, and when hedges of the alternative benchmark rate as the hedged risk are permitted. The alternative benchmark rate is expected to available by the end of 2021 and therefore the Group has not amended its hedge designations and documentation for the current reporting period.

The impact on the Group’s interim condensed consolidated financial statements of other amendments to accounting standards that have become effective in the year beginning 1 January 2021 is not material.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4 Critical accounting judgements and key sources of estimation uncertainty

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

Accounting for the investment in Bennetts Motorcycling Services Limited
On 7 August 2020, the Group completed the purchase of the entire issued share capital of Bennetts Motorcycling Services Limited (Bennetts). The consideration paid for the share capital was £1.3m cash. Additionally, all the existing borrowings of the acquiree were settled. The Group exchanged contracts to acquire Bennetts on 17 February 2020 and Ardonagh voluntarily notified the merger to the Competitions and Markets Authority (CMA). Following its Phase 1 investigation, the CMA announced on 16 September 2020 that it would refer the merger for an in-depth Phase 2 investigation unless the Group offered suitable undertakings to address the CMA's concerns. In response, the Group offered to divest Bennetts. The CMA announced on 30 September 2020 that it believes that the offer should, in principle, be capable of remedying the competition concerns and issued a notice of consultation on 14 October 2020. The Group has not reported this interest as a business combination as it has been determined that it does not control Bennetts. This interest in the share capital of Bennetts has been recognised as a financial asset measured at fair value through other comprehensive income and is shown as an asset held for sale.

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 discount rate is the interest rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to a right-of-use asset, and it is applied to new leases and certain modifications to existing leases.

For the first half of 2020, the Group used an average discount rate of 11.7%. From 14 July 2020, following changes to the Group's borrowing arrangements, the Group used an average discount rate of 9.5%.

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 included in the legislation that has been enacted or substantively enacted by the end of the reporting period.

The deferred tax liability as at 31 March 2021 is £20.5m (31 December 2020: £10.6m).

4 Critical accounting judgements and key sources of estimation uncertainty *(continued)*

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, 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 March 2021, a loss corridor liability of £4.3m is included within trade and other payables and a variable profit commission of £9.7m 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 (WACC), 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 £6.6m increase in other income in 2021. A 1% increase in the discount rate would give rise to a £0.3m decrease in other income in 2021. The financial asset corresponding to the Swinton rolling contract is £25.1m as at 31 March 2021 (31 December 2020: £24.8m).

4 Critical accounting judgements and key sources of estimation uncertainty *(continued)*

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 1 October 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.

Goodwill arising from a new business combination is, for the purposes of impairment testing, allocated to those cash-generating units that are expected to benefit from the goodwill that was acquired. Impairment testing is performed at the level of the smallest groups of cash-generating units at which goodwill is monitored, known as the “divisions”.

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 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 1.7% (2020: 1.7%), and a terminal value was calculated using the perpetual growth model. The discount rate of 9.84% (2020: 9.84%) 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 2021 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 a division was estimated by apportioning the fair value of the Group between the divisions based on the value in use of each division. The estimated costs of disposal are assumed, based on market experience, to be 1.5% of the fair value of the division.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 Segmental analysis

Descriptions of the Group’s operating segments can be found in Section 1 – Our Businesses.

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 operating segments based on an Adjusted EBITDA measure. The presentation of the segment information reflects 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.

The results include items directly attributable to an operating segment as well as those that can be allocated on a reasonable basis.

Of the Total Income disclosed in the consolidated income statement, £42.5m (2020: £25.9m) is attributable to sales made to clients 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 Segmental analysis *(continued)*

Three months ended 31 March 2021	Ardonagh Retail £000	Ardonagh Advisory £000	Ardonagh Specialty £000	Ardonagh International £000	Corporate £000	Total £000
Commission and fees	53,300	77,314	50,057	13,928	-	194,599
Other income	4,161	15	107	187	-	4,470
Investment income/(expense)	-	-	(6)	-	-	(6)
Salaries and associated costs	(17,024)	(37,946)	(28,464)	(6,071)	(4,953)	(94,458)
Other operating costs	(19,581)	(17,313)	(11,164)	(6,320)	(4,559)	(58,937)
Impairment of financial assets	(2,835)	31	308	(1)	-	(2,497)
Depreciation, amortisation and impairment of non-financial assets	(7,548)	(9,094)	(7,056)	(2,168)	(474)	(26,340)
Share of profit from joint venture	284	-	-	-	-	284
Share of profit from associate	-	-	21	-	-	21
Operating profit/(loss)	10,757	13,007	3,803	(445)	(9,986)	17,136
Gain on revaluation of associate	-	-	1,459	-	-	1,459
Finance costs	(358)	2,808	(493)	(163)	(45,433)	(43,639)
Finance income	-	40	43	547	7	637
Profit/(loss) before tax	10,399	15,855	4,812	(61)	(55,412)	(24,407)
Tax credit						1,618
Loss for the period						(22,789)
Finance costs						43,639
Tax credit						(1,618)
Depreciation						4,625
Amortisation and impairment of non-financial assets						21,715
Loss from disposal of non-financial assets						(9)
Foreign exchange movements						521
Transformational hires						618
Business transformation costs						7,827
Legacy costs						75
Other costs						1,942
Regulatory costs						3,846
Acquisition and financing costs						7,328
Gain on revaluation of associate						(1,459)
Adjusted EBITDA	21,840	25,958	15,617	6,234	(3,388)	66,261

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 Segmental analysis *(continued)*

Three months ended 31 March 2020	Ardonagh Retail £000	Ardonagh Advisory £000	Ardonagh Specialty £000	Ardonagh International £000	Corporate £000	Total £000
Commission and fees	54,697	59,212	40,645	-	665	155,219
Other income	3,991	32	64	-	-	4,087
Investment income	7	1	337	-	177	522
Salaries and associated costs	(17,829)	(27,591)	(25,024)	-	(4,669)	(75,113)
Other operating costs	(19,267)	(15,730)	(10,454)	-	(2,644)	(48,095)
Impairment of financial assets	(2,129)	(226)	274	-	-	(2,081)
Depreciation, amortisation and impairment of non-financial assets	(7,611)	(6,200)	(7,000)	-	(985)	(21,796)
Share of profit from joint venture	372	-	-	-	-	372
Share of profit from associate	-	-	108	-	-	108
Operating profit/(loss)	12,231	9,498	(1,050)	-	(7,456)	13,223
Finance costs	(642)	(557)	(391)	-	(25,619)	(27,209)
Finance income	43	3	98	-	83	227
Profit/(loss) before tax	11,632	8,944	(1,343)	-	(32,992)	(13,759)
Tax credit						83
Loss for the period						(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	20,790	17,531	8,701	-	(3,444)	43,578

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6 Finance income and finance costs

	Three months ended 31 March 2021 (unaudited) £000	Three months ended 31 March 2020 (unaudited) £000
Financial assets measured at amortised cost		
Interest income – own funds	**67**	205
Interest income – discount unwind	**3**	16
Interest income – other	**567**	6
Financial liabilities measured at amortised cost		
Unwinding of transaction costs and discount on financial liabilities	**(1,602)**	(2,587)
Interest expense – bank and other borrowings	**(39,002)**	(59,692)
Interest expense – commitment and other fees	**(224)**	(401)
Interest expense – other loans	**(18)**	(546)
Interest on premium financing liabilities	**-**	(212)
Other finance income/(costs)		
Amounts reclassified from the cash flow hedging reserve for derivatives	**(4,703)**	37,674
Amortisation of costs of hedging	**(350)**	(38)
Write back of contingent consideration	**3,761**	-
Effective interest on lease liabilities	**(1,497)**	(1,407)
Unwinding of discount on provisions	**(4)**	-
Net finance costs	**(43,002)**	(26,982)
Analysed as:		
Finance income	**637**	227
Finance costs	**(43,639)**	(27,209)
Net finance costs	**(43,002)**	(26,982)

During the period, the coupon interest expense on the Group's debt totalled £49.2m (31 March 2020: £22.9m). A further £1.6m (31 March 2020: £2.5m) of interest expense was recognised during the period 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

7 Assets held for sale

As at 31 March 2021, the Group classified the following as held for sale:
- Several freehold and leasehold properties, which form part of the Ardonagh Retail reportable segment
- Bennetts Motorcycling Services Limited

The figures shown in the table below reflect the carrying amount of the assets and liabilities to be derecognised on disposal:

	Swinton properties £000	**Bennetts Motorcycling Services Limited £000**	**31 March 2021 £000**
Right-of-use assets	**146**	**-**	**146**
Trade and other receivables	**-**	**22,750**	**22,750**
	146	**22,750**	**22,896**

	Swinton properties £000	Bennetts Motorcycling Services Limited £000	31 December 2020 £000
Right-of-use assets	146	-	146
Trade and other receivables	-	24,000	24,000
	146	24,000	24,146

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 7% (31 March 2020: 1%) giving rise to a tax credit of £1.6m (31 March 2020: £0.1m).

The tax charge differs from that which would result from applying the standard rate of corporation tax, mainly due to the impact of non-UK earnings, statutory restrictions on the deductibility of interest expense and the recognition of deferred tax assets against future projections of taxable income.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 2021 (unaudited) £000	31 December 2020 (audited) £000
Start of the period	**1,635,322**	1,112,194
Business combinations	**212,464**	592,740
Net additions	**2,415**	10,545
Foreign exchange movement	**(2,449)**	(3,731)
Amortisation charge for the period	**(21,700)**	(76,426)
End of the period	**1,826,052**	1,635,322

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 2021 (unaudited) £000	31 December 2020 (audited) £000
Start of the period	**1,192,002**	732,489
Business combinations	**151,510**	465,903
Foreign exchange movement	**(1,822)**	(2,806)
Net disposals	**-**	(3,584)
End of the period	**1,341,690**	1,192,002

Goodwill is tested for impairment annually and whenever there is an indication that it may be impaired. The annual impairment test was performed at 1 October 2020 and will be performed on 1 October in 2021 (and in subsequent years) once the latest five-year plan is available and thus in reporting the 31 December 2021 financial statements. The recoverable amounts and associated assumptions for the Group's divisions (previously reported as operating segments, see note 5), 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 2020.

For the three month period to 31 March 2021, the Group reviewed changes in the key assumptions which drive its determination of the recoverable amount, which included a review of the trading performance of each division against the most recent five-year plan, to determine whether there is an indication of impairment and thus to determine whether an impairment test is to be performed. It was concluded that there is no indication of impairment.

10 Business combinations

The Group made the acquisitions below during the three-month reporting period ending 31 March 2021.

- On 1 January 2021, the Group obtained control over Sino Insurance Brokers Limited as a result of a call option becoming currently exercisable (albeit not exercised) on and from that date. The call option, if exercised, enables the Group to increase its 40% holding in Sino Insurance Brokers Limited to 75%. Sino Insurance Brokers Limited and its subsidiaries had previously been accounted for as an associate, but they are consolidated from 1 January 2021. The consideration paid on 1 January 2021 is £nil. The associate was remeasured on 1 January 2021 from its carrying amount of £4.1m to its fair value of £5.5m, giving rise to a £1.4m gain in the income statement, and it was then derecognised. The non-controlling interest of £6.5m was recognised on 1 January 2021. The acquisition is included in the Ardonagh Specialty operating segment.
- On 4 January 2021, the Group purchased Headley Holdings Limited. The consideration paid was £9.8m cash, plus contingent consideration with a fair value that is estimated to be £2.3m.
- On 15 February 2021, the Group purchased Resilium Pty Limited. The consideration paid was AU$9.8m cash, an AU$10.0m loan note in Mustang TopCo Pty Limited, and shares with a fair value of AU$14.5m in Mustang Bidco Pty Limited (both subsidiaries of the Group).
- On 2 March 2021, the Group purchased Hera Indemnity Limited. The consideration paid was £19.9m cash, and contingent consideration with a fair value of £2.4m.
- On 30 March 2021, the Group purchased AccuRisk Solutions. The consideration paid was USD34.6m cash, and shares with a fair value of USD4.9m.
- On 31 March 2021, the Group purchased the business and assets of Hemsley Wynne Furlonge LLP. The consideration paid was £23.0m cash, plus 11,452,050 ordinary shares in HIBL (representing a 49.9% share of all ordinary shares in HIBL) with a fair value of £30.5m, and 12,949,050 preference shares in HIBL with a fair value of £13.3m and contingent consideration with a fair value of £1.5m.
- On 31 March 2021, the Group purchased Marmalade Limited. The consideration paid was £21.0m cash and contingent consideration with a fair value of £6.4m.
- Individually immaterial business combinations for which the total consideration paid was €6.4m cash, and contingent consideration with a fair value of €4.4m. The acquisitions have been included in the Ardonagh International operating segment.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10 Business combinations *(continued)*

	Sino Insurance Brokers Limited £000	Headley Holdings Limited £000	Resilium Pty Limited £000	Hera Indemnity Limited £000	AccuRisk Solutions £000
Purchase consideration					
Cash paid	-	9,789	5,499	19,296	25,158
Loan notes issued	-	-	5,595	-	-
Contingent and deferred consideration	-	2,300	-	2,400	-
Share buyout	-	-	-	-	-
Other debtors	-	-	-	-	-
Other creditors	-	-	-	600	-
Foreign exchange movements	-	-	(598)	-	(19)
Non-controlling interest					
Minority interest	6,449	-	8,099	-	(3,573)
Fair value of any pre-existing interest					
Remeasurement of associate	4,079	-	-	-	-
Gain on remeasurement of associate	1,459	-	-	-	-
Total purchase and other consideration	11,987	12,089	18,595	22,296	21,566
Non-current assets					
Property, plant and equipment	-	171	5	71	100
Right-of-use assets	104	-	352	-	227
Financial assets at fair value through other comprehensive income	-	4	-	-	-
Current assets					
Cash and cash equivalents	7,458	1,577	32,806	3,453	720
Trade and other receivables	6,874	347	34,209	634	3,625
Other assets	-	-	-	-	299
Current liabilities					
Trade and other payables	(11,398)	(1,859)	(63,840)	(2,453)	(2,017)
Lease liabilities	-	-	-	-	(111)
Borrowings	-	-	(1,645)	-	(331)
Contract liabilities	-	(79)	-	-	-
Non-current liabilities					
Trade and other payables	-	-	(4,917)	-	-
Lease liabilities	-	-	(356)	-	(117)
Provisions	-	(10)	(371)	-	-
Borrowings	-	-	(15,385)	-	(504)
Net assets/(liabilities) acquired	3,038	151	(19,142)	1,705	1,891
Net identifiable intangible assets acquired	7,713	2,379	6,577	4,689	5,510
Goodwill	1,236	9,559	31,160	15,902	14,165
Total purchase consideration	11,987	12,089	18,595	22,296	21,566

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10 Business combinations *(continued)*

	Hemsley Wynne Furlonge LLP £000	Marmalade Limited £000	Aggregated immaterial business combinations £000	Aggregated immaterial PPA adjustments £000	Total £000
Purchase consideration					
Cash paid	**22,996**	**21,000**	**5,511**	**2,028**	**111,277**
Loan notes issued	**-**	**-**	**-**	**-**	**5,595**
Contingent and deferred consideration	**1,533**	**6,449**	**3,758**	**(704)**	**15,736**
Share buyout	**43,799**	**-**	**-**	**-**	**43,799**
Other debtors	**-**	**1,107**	**-**	**(2,028)**	**(921)**
Other creditors	**-**	**-**	**-**	**-**	**600**
Foreign exchange movements	**1**	**-**	**(3)**	**-**	**(619)**
Non-controlling interest					
Minority interest	**-**	**-**	**-**	**(54)**	**10,921**
Fair value of any pre-existing interest					
Remeasurement of associate	**-**	**-**	**-**	**-**	**4,079**
Gain on remeasurement of associate	**-**	**-**	**-**	**-**	**1,459**
Total purchase and other consideration	**68,329**	**28,556**	**9,266**	**(758)**	**191,926**
Non-current assets					
Property, plant and equipment	**35**	**298**	**2**	**-**	**682**
Right-of-use assets	**86**	**772**	**-**	**-**	**1,541**
Financial assets at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**4**
Current assets					
Cash and cash equivalents	**254**	**2,968**	**1,260**	**-**	**50,496**
Trade and other receivables	**926**	**2,607**	**1,559**	**-**	**50,781**
Other assets	**384**	**-**	**-**	**-**	**683**
Current liabilities					
Trade and other payables	**(928)**	**(2,718)**	**(2,551)**	**(4)**	**(87,768)**
Lease liabilities	**(86)**	**(146)**	**-**	**-**	**(343)**
Borrowings	**-**	**-**	**-**	**-**	**(1,976)**
Contract liabilities	**-**	**-**	**-**	**-**	**(79)**
Non-current liabilities					
Trade and other payables	**-**	**-**	**-**	**-**	**(4,917)**
Lease liabilities	**-**	**(604)**	**-**	**-**	**(1,077)**
Provisions	**-**	**-**	**-**	**-**	**(381)**
Borrowings	**-**	**-**	**-**	**-**	**(15,889)**
Net assets/(liabilities) acquired	**671**	**3,177**	**270**	**(4)**	**(8,243)**
Net identifiable intangible assets acquired	**16,444**	**4,860**	**1,408**	**(921)**	**48,659**
Goodwill	**51,214**	**20,519**	**7,588**	**167**	**151,510**
Total purchase consideration	**68,329**	**28,556**	**9,266**	**(758)**	**191,926**

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11 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 2021 (unaudited) £000	31 December 2020 (audited) £000
Start of the period	**27,110**	26,168
Business combinations	**682**	4,543
Net additions	**1,003**	6,568
Foreign exchange movement	**(65)**	(92)
Depreciation charge for the period	**(2,013)**	(10,077)
End of the period	**26,717**	27,110

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12 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 2021	**Property £000**	**Non-property £000**	**Total £000**	**Lease liabilities £000**
Start of the period	**37,889**	**3,163**	**41,052**	**(49,879)**
Additions	**2,895**	**357**	**3,252**	**(3,049)**
Business combinations	**1,419**	**122**	**1,541**	**(1,420)**
Terminations/modifications	**1,045**	**(31)**	**1,014**	**(935)**
Depreciation	**(2,273)**	**(339)**	**(2,612)**	**-**
Interest expense	**-**	**-**	**-**	**(1,497)**
Lease payments	**-**	**-**	**-**	**3,892**
Foreign exchange movements	**(222)**	**-**	**(222)**	**228**
End of the period	**40,753**	**3,272**	**44,025**	**(52,660)**
Current				**(13,750)**
Non-current				**(38,910)**
				(52,660)

	Right-of-use assets			
Year ended 31 December 2020	Property £000	Non-property £000	Total £000	Lease liabilities £000
As at 1 January 2020	35,528	681	36,209	(43,105)
Additions	3,233	2,719	5,952	(5,404)
Business combinations	9,864	711	10,575	(11,499)
Terminations/modifications	(1,927)	(109)	(2,036)	2,829
Depreciation	(8,847)	(839)	(9,686)	-
Impairment	12	-	12	-
Interest expense	-	-	-	(5,757)
Lease payments	-	-	-	12,949
Foreign exchange movements	26	-	26	108
As at 31 December 2020	37,889	3,163	41,052	(49,879)
Current				(12,997)
Non-current				(36,882)
				(49,879)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13 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 of 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.

On 1 January 2021, the Group obtained control over Sino Insurance Brokers Limited as a result of the call option becoming currently exercisable (albeit not exercised) on and from that date. The call option, if exercised, enables the Group to increase its 40% holding in Sino Insurance Brokers Limited to 75%. Sino Insurance Brokers Limited and its subsidiaries had previously been accounted for as an associate, but they are consolidated from 1 January 2021. The consideration paid on 1 January 2021 is £nil. The associate was remeasured on 1 January 2021 from its carrying amount of £4.1m to its fair value of £5.5m, giving rise to a £1.4m gain in the income statement, and it was then derecognised. The non-controlling interest of £6.5m was recognised on 1 January 2021.

The remaining investment in associate is in Solis Re Agency Inc which is incorporated in the USA.

Investment in associates	**31 March 2021 (unaudited) £000**	31 December 2020 (audited) £000
Start of the period	**5,124**	3,800
Addition	**-**	1,014
Disposal	**(4,079)**	-
Foreign exchange movement	**1**	15
Share of profit for the period	**21**	608
Dividend received	**-**	(313)
End of the period	**1,067**	5,124

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 2021 (unaudited) £000**	31 December 2020 (audited) £000
Start of the period	**3,635**	3,620
Share of profit for the period	**284**	1,417
Dividend received	**(374)**	(1,402)
End of the period	**3,545**	3,635

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 Cash and cash equivalents

	31 March 2021 (unaudited) £000	31 December 2020 (audited) £000
Own funds	**115,547**	140,780
Own funds - restricted	**28,240**	37,752
Fiduciary funds	**438,682**	407,105
	582,469	585,637

Restricted own funds comprise:

- £4.5m as at 31 March 2021 (31 December 2020: £13.8m) 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.
- £23.7m as at 31 March 2021 (31 December 2020: £23.9m) 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.

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

15 Trade and other receivables

	31 March 2021 (unaudited) £000	31 December 2020 (audited) £000
Trade receivables	**185,971**	140,680
Less: expected credit loss allowance	**(9,226)**	(9,512)
Trade receivables - net	**176,745**	131,168
Prepayments	**22,361**	19,848
Accrued income	**19,713**	14,992
Other receivables	**56,800**	43,957
Other debtors	**34,057**	29,777
Related party debtors	**1,710**	1,413
Deferred and contingent consideration receivable	**2,103**	2,346
	313,489	243,501
Current	**277,277**	219,318
Non-current	**36,212**	24,183
	313,489	243,501

As at 31 March 2021, 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16 Cash generated from operations

Cash flows from operating activities	**Three months ended 31 March 2021 (unaudited) £000**	Three months ended 31 March 2020 (unaudited) £000
Loss for the period after tax	**(22,789)**	(13,676)
Depreciation of property, plant and equipment and right-of-use assets	**4,625**	4,158
Amortisation	**21,700**	17,689
Loss on disposal and impairment of non-financial assets	**6**	399
Adjustment to gain on disposal of associate	**(1,459)**	-
Other (gains)/losses	**(2,530)**	102
Transaction costs on completed and aborted acquisitions accrued in the period	**4,874**	615
Transaction costs on completed and aborted acquisitions paid in the period	**(2,028)**	(5)
Finance costs - net of finance income	**43,002**	26,982
Investment expense/(income)	**6**	(522)
Share of profit from associate and joint venture	**(305)**	(480)
Tax credit	**(1,618)**	(83)
Recycling to income statement from cash flow hedging reserve on revenue hedges	**(894)**	(447)
Decrease/(increase) in trade and other receivables	**7,222**	(22,436)
(Decrease)/increase in trade and other payables	**(28,073)**	9,656
Increase in contract assets	**(936)**	(15)
Increase in other assets	**(1,120)**	(1,171)
(Decrease)/increase in contract liabilities	**(3,281)**	431
Effect of movements in exchange rates on cash held	**3,310**	(7,219)
Decrease in provisions	**(11,823)**	(11,246)
Net cash inflow from operations	**7,889**	2,732

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17 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.

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on an ongoing basis:

31 March 2021 (unaudited)	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets at fair value through profit or loss				
UCIS recovered assets	-	-	**14**	**14**
Trade and other receivables	-	-	**41,500**	**41,500**
Contingent consideration	-	-	**1,886**	**1,886**
Hedging forecast revenue	-	**3,546**	-	**3,546**
Financial assets at fair value through other comprehensive income				
Unlisted investments	-	-	**289**	**289**
Total financial assets at fair value	-	**3,546**	**43,689**	**47,235**
Contingent consideration payable	-	-	**(76,663)**	**(76,663)**
Derivatives hedging borrowings	-	**(56,358)**	-	**(56,358)**
Total financial liabilities at fair value	-	**(56,358)**	**(76,663)**	**(133,021)**
Net fair value	-	**(52,812)**	**(32,974)**	**(85,786)**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17 Financial instruments *(continued)*

31 December 2020 (audited)	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit or loss				
UCIS recovered assets	-	-	14	14
Trade and other receivables	-	-	28,657	28,657
Contingent consideration	-	-	2,057	2,057
Derivatives hedging forecast revenue	-	3,544	-	3,544
Financial assets at fair value through other comprehensive income				
Unlisted investments	-	-	285	285
Total financial assets at fair value	-	3,544	31,013	34,557
Contingent consideration payable	-	-	(21,114)	(21,114)
Derivatives hedging borrowings	-	(51,243)	-	(51,243)
Total financial liabilities at fair value	-	(51,243)	(21,114)	(72,357)
Net fair value	-	(47,699)	9,899	(37,800)

The following valuation techniques are used for instruments categorised in Levels 2 and 3:
Derivative financial instruments (Level 2)
The Group's derivatives 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 and 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 contingent consideration receivable with a fair value of £1.9m (31 December 2020: £2.3m) arising from the sale of URIS Group's claims business in 2018 and from the sale of the Milburn Insurance Brokers business and certain assets in 2020. 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 2021 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17 Financial instruments *(continued)*

Contingent consideration, share buyout and deferred proceeds (Level 3)
The 31 March 2021 contingent consideration includes amounts arising from the acquisitions in 2020 of Nevada 4 Midco 1 Limited, Thames Underwriting Limited, a number of individually immaterial businesses, and from the acquisition in 2019 of an associate interest in Sino Insurance Brokers Limited. The 31 March 2021 share buyout liability arises from the acquisitions in 2020 of Lloyd Latchford Group Limited and Nevada 4 Midco 1 Limited, and from the acquisition in 2021 of the business and assets of Hemsley Wynne Furlonge LLP. The 31 March 2021 contingent consideration also arises from the acquisition of the associate interest in Sino Insurance Brokers Limited. These balances are categorised within level 3 of the fair value hierarchy.

Share buyout is the liability arising from put options granted by the Group to minority shareholders of certain consolidated subsidiaries, giving the holders the right to sell all of their interest in those subsidiaries to the Group. The fair value of the share buyout payments is determined based on the forecast option strike price (a fixed multiple of forecast EBITDA of the acquired entity less net debt), discounted using the Group WACC as the discount rate.

Contingent consideration payments are generally contingent on the post-acquisition performance of the acquired business and achievement of certain performance thresholds. The fair value of contingent consideration is determined based on actual and forecast business performance of the acquired business, discounted using the Group WACC as the discount rate.

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, except where specific market price information is available, 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 20.

Reconciliation of recurring fair value measurements within level 3

31 March 2021 (unaudited)	Financial liabilities at FVTPL £000	Financial assets at FVTPL £000	Financial assets at FVTOCI £000	Total £000
Start of the period	**(21,114)**	**30,728**	**285**	**9,899**
Gains and losses	**3,138**	**3,888**	**-**	**7,026**
Additions	**(15,435)**	**12,451**	**-**	**(2,984)**
Business combinations	**(46,648)**	**299**	**4**	**(46,345)**
Settlements	**3,396**	**(4,050)**	**-**	**(654)**
Movement to reserves	**-**	**84**	**-**	**84**
End of the period	**(76,663)**	**43,400**	**289**	**(32,974)**

18 Hedge accounting

Derivatives

The Group has economic hedge relationships that mitigate foreign exchange risk arising from its USD borrowings and USD revenue. The Group also has economic hedge relationships that mitigate interest rate risk arising from its IBOR-based senior secured term loan that was entered into in July 2020. The Group 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 March 2021:

	31 March 2021 (unaudited) £000	31 December 2020 (audited) £000
Non-current assets		
Derivatives hedging forecast revenue	**576**	446
Derivatives hedging borrowings	**-**	-
Current assets		
Derivatives hedging forecast revenue	**2,970**	3,098
Derivatives hedging borrowings	**-**	-
Current liabilities		
Derivatives hedging forecast revenue	**(124)**	-
Derivatives hedging borrowings	**(799)**	(508)
Non-current liabilities		
Derivatives hedging forecast revenue	**(821)**	-
Derivatives hedging borrowings	**(54,614)**	(50,735)
Net derivative financial instrument liabilities	**(52,812)**	(47,699)

See note 17 for information on fair values and the assumptions and methods used to measure fair value.

Derivatives hedging borrowings

The Group has USD forward contracts to hedge the foreign currency risk on USD 677.0m payments of principal and interest relating to USD 500.0m PIK toggle notes due 2027 that were issued in July 2020. Hedge accounting was applied to all of the existing USD borrowings.

The Group entered into interest rate swaps that were designated as hedging instruments against the IBOR-based senior secured term loan (see note 20). The interest rate swaps exchange a floating interest rate with a fixed interest rate and apply to interest incurred from 14 January 2021.

Derivatives hedging forecast revenue

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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18 Hedge accounting *(continued)*

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 and interest rate risk:

Three months ended 31 March 2021	Cash flow hedging reserve £000	Costs of hedging reserve £000
At 1 January 2021	(2,446)	(3,218)
Changes in fair value recognised via other comprehensive income		
Foreign currency risk - derivatives hedging forecast revenue	(99)	-
Foreign currency risk - derivatives hedging borrowings	(5,276)	903
Interest rate risk – derivatives hedging borrowings	(26)	8
Amounts reclassified to profit or loss		
Foreign currency risk - derivatives hedging forecast revenue	(944)	-
Foreign currency risk - derivatives hedging borrowings	4,554	278
Interest rate risk – derivatives hedging borrowings	149	72
	(1,642)	1,261
Tax on movements on reserves	311	(239)
At 31 March 2021 (unaudited)	(3,777)	(2,196)

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 2021 in relation to items designated as hedging instruments, including hedge ineffectiveness, were as follows:

	Derivatives hedging foreign currency risk		Derivatives hedging interest
	Forecast revenue £000	Borrowings £000	£000
Amounts reclassified from OCI to profit or loss			
Commission and fees	944	-	-
Finance costs - interest expense and foreign exchange differences	-	(4,554)	(149)
Finance costs - cost of hedging	-	(278)	(72)
Amounts recognised directly in profit or loss			
Other operating costs – foreign exchange differences	24	-	-
Other operating costs - ineffectiveness	(50)	-	-
At 31 March 2021 (unaudited)	918	(4,832)	(221)

The Group is exposed to interest rates, which are determined by reference to LIBOR and EURIBOR, to which it applies hedge accounting. The Group has applied the amendments to IFRS 9 which allow the Group to continue hedge accounting during the period of uncertainty arising from the IBOR reforms. In assessing whether the hedge is expected to be highly effective on a forward-looking basis, the Group has therefore assumed that the cash flows of the interest rate swaps and the hedged debt instruments are not altered by IBOR reform. In addition, the Group has also applied the amendments to IFRS 9 on when hedge documentation should be updated. The Group has not amended its hedge designations and documentation for the current reporting period as the benchmark alternative rate is not yet available. The Group has considered an IBOR transition plan.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19 Trade and other payables

	31 March 2021 (unaudited) £000	31 December 2020 (audited) £000
Insurance creditors	**501,924**	433,928
Social security and other taxes	**22,773**	10,878
Other creditors	**43,299**	37,692
Contingent consideration payable	**16,220**	14,819
Share buyout	**9,892**	13,530
Share based payment liabilities	**1,436**	4,123
Deferred income	**363**	365
Accruals	**66,320**	79,359
Total current liabilities	**662,227**	594,694
Contingent consideration payable	**16,643**	6,295
Share buyout	**46,552**	2,753
Share-based payment liabilities	**-**	685
Other creditors	**6,904**	7,634
Total non-current liabilities	**70,099**	17,367

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20 Borrowings

	31 March 2021 (unaudited) £000	31 December 2020 (audited) £000
Interest payable	**24,515**	46,909
Other borrowings	**1,840**	-
Total current borrowings	**26,355**	46,909
Interest payable	**17,757**	38,164
Term facilities due 2026	**1,507,439**	1,495,003
USD 500.0m PIK toggle notes due 2027	**367,574**	348,125
GBP 300.0m CAR facility due 2026	**191,377**	41,061
AUD 10.0m loan notes	**5,509**	-
Other borrowings	**503**	-
Total non-current borrowings	**2,090,159**	1,922,353

The USD 500m PIK toggle notes due 2027 and the term facilities due 2026 comprise the following (excluding interest payable):

				31 March 2021		31 December 2020	
Date issued	Currency	Nominal interest rate*	Year of Maturity	Face value	Carrying amount	Face value	Carrying amount
14.07.2020	**GBP**	**7.500%**	**2026**	**1,412,838**	**1,360,000**	1,412,838	1,342,120
14.07.2020	**EUR**	**7.500%**	**2026**	**180,000**	**147,439**	180,000	152,883
14.07.2020	**USD**	**11.500%**	**2027**	**500,000**	**367,574**	500,000	348,125
22.10.2020	**GBP**	**7.500%**	**2026**	**200,000**	**191,377**	50,000	41,061
Total					**2,066,390**		1,884,189

* The nominal interest rates stated are the margins, which exclude payment in kind premiums on the borrowings (that are enacted at the request of the borrower) and LIBOR (floors of 0.75% for the GBP borrowings and 1.00% for the EUR borrowings). At the previous year end it was the intention of Management to enact the payment in kind option meaning the carrying amount of borrowings have taken this into account when calculating the effective interest rate, and in January 2021 the options were exercised.

Interest is payable on the notes in January and July of each year, but payment may be deferred for those borrowings issued in 2020 if all the payment in kind options are exercised.

The Group hedges its foreign currency exposure from the USD 500.0m PIK toggle notes due 2027 as described in note 18.

The fair value of the Term facilities due 2026 and USD 500.0m PIK toggle notes due 2027 as at 31 March 2021 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
GBP 1,412.8m Term facility due 2026	**1,360,000**	**1,525,865**
EUR 180.0m Term facility due 2026	**147,439**	**165,372**
USD 500.0m PIK toggle notes	**367,574**	**391,710**
GBP 300.0m CAR facility due 2026	**191,377**	**216,000**
Notes at 31 March 2021	**2,066,390**	**2,298,947**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21 Provisions

The Group held the following provisions as at 31 March 2021:

	ETV £000	Run off £000	LTIP £000	Litigation matters £000
Start of the period	**18,925**	**771**	**1,355**	**3,020**
Additional provisions made during the period	**3,670**	**-**	**6**	**14**
Transferred to other debtors/creditors	**-**	**-**	**-**	**-**
Business combinations	**-**	**-**	**371**	**-**
Utilised during the period	**(13,370)**	**(523)**	**(1,073)**	**(195)**
Unused amounts reversed during the period	**-**	**-**	**(96)**	**(119)**
Unwind of discount	**-**	**-**	**-**	**-**
Foreign exchange movements	**-**	**-**	**(6)**	**-**
End of the period	**9,225**	**248**	**557**	**2,720**

	Future renewal scheme £000	Property £000	Branch closure £000	Other £000	Total £000
Start of the period	**6,576**	**10,212**	**147**	**1,216**	**42,222**
Additional provisions made during the period	**97**	**467**	**14**	**-**	**4,268**
Transferred to other debtors/creditors	**-**	**-**	**-**	**(46)**	**(46)**
Business combinations	**-**	**10**	**-**	**-**	**381**
Utilised during the period	**-**	**(613)**	**(25)**	**(7)**	**(15,806)**
Unused amounts reversed during the period	**-**	**(16)**	**-**	**-**	**(231)**
Unwind of discount	**-**	**4**	**-**	**-**	**4**
Foreign exchange movements	**-**	**(4)**	**-**	**(2)**	**(12)**
End of the period	**6,673**	**10,060**	**136**	**1,161**	**30,780**

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 2021 (unaudited) £000**	31 December 2020 (audited) £000
Non-current - to be utilised in more than one year	**14,411**	13,863
Current - to be utilised within one year	**16,369**	28,359
	30,780	42,222

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21 Provisions *(continued)*

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 for which the total cost of redress was estimated to be £73.7m at 31 March 2021 (£70.0m at 31 December 2020). Total redress payments to the reporting date of £64.5m leave a provision of £9.2m at 31 March 2021 (£18.9m at 31 December 2020) and since then further payments of £2.8m have been made.

In view of the near conclusion of the programme the uncertainties impacting the provisioning assumptions continue to reduce but are not fully eliminated. These assumptions include average redress costs, changes in the ETV population, variations in redress methodology, economic inputs, and the impact of the recent FCA announcement on the inflation measure to apply to the calculation of redress. Therefore, the Directors will continue to update the provision based upon actual experience.

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 2021 is £0.2m (31 December 2020: £0.8m).

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 2020 contains further details of these provisions.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22 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 2021	**1,950,000**	**859,261**	**8,593**	**991,771**	**1,000,364**
At 31 March 2021	**1,950,000**	**859,664**	**8,597**	**992,693**	**1,001,290**
At 1 January 2020	880,000	732,985	7,331	740,886	748,217
At 31 December 2020	1,950,000	859,261	8,593	991,771	1,000,364

On 29 July 2020, the Group modified the Ardonagh Group Limited Management Incentive Plan (MIP) by exchanging MIP shares held by employees for a new class of share, B ordinary shares (B Shares). In introducing the modification, the Group has acquired all the MIP shares previously held by employees in exchange for issuing a total of 105,877,264 B Shares, which hold no voting rights and their value is impacted by leaver provisions that are attached to them.

23 Related party transactions

On 23rd February 2021, the Group granted a loan facility on arm's length commercial terms of up to £13.0m and associated commitments to a related party of the Group to fund a business combination to be made by that related party. In connection with the agreement to grant the loan facility, the Group also entered into an agreement to provide indemnity coverage in respect of certain costs and liabilities for which the related party may become liable in relation to that investment or otherwise incur in connection with the business combination, although these are not expected to arise on the basis of due diligence and the business plan for the relevant business.

As shown in the Business Combinations note 10, the Group completed the purchase of the majority of the share capital of Accurisk Holdings LLC, a medical stop-loss insurer operating in North America, for US$36.7m cash on 30 March 2021. Prior to this date, the Group incorporated a new subsidiary, which in turn invested into a newly incorporated Delaware (US) entity, Alpha AA JV, LLC. Prior to completion of the purchase of Accurisk Holdings LLC, Amynta Agency LLC, a party related to the Company by virtue of it being owned and controlled by one of the Company's main shareholders, invested a 20% interest in Alpha AA JV, LLC. Alpha AA JV, LLC in turn invested into Alpha Bidco LLC, which acquired AccuRisk Holdings LLC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

24 Subsequent events

On 7 May 2021, the Group entered into a binding commitment to grant a convertible loan on arm's length commercial terms of up to £55.2m to a related party of the Group to fund a business combination to be made by that related party.

On 13 May 2021, Atlanta Investment Holdings C Limited and its 100% subsidiary Bennetts Motorcycling Services Limited ("Bennetts") were sold for £1 cash and there was also a settlement of the existing borrowings of £22.75m that were owed by Bennetts to the Group.

The Group completed the purchase of other individually immaterial businesses after the reporting period, the aggregate consideration for which was £17.3m cash and contingent consideration with a fair value of £2.7m.

SECTION 3

OTHER UNAUDITED FINANCIAL INFORMATION

FOR THE THREE MONTHS
ENDED 31 MARCH 2021

OTHER UNAUDITED FINANCIAL INFORMATION

INTRODUCTION TO OTHER UNAUDITED FINANCIAL INFORMATION

Information in this section is provided to show readers the full reconciliation between Reported results disclosed in section 2, which include acquisitions, disposals and financing transactions from the date they occur, and the alternative performance measures. The alternative performance measures comprise the Pro Forma results, which present material acquisitions, disposals and financing transactions as if they occurred on the first day of the prior period, and EBITDA and Adjusted EBITDA measures.

OTHER UNAUDITED FINANCIAL INFORMATION

RECONCILIATION OF REPORTED RESULTS TO PRO FORMA FOR COMPLETED TRANSACTIONS RESULTS
FOR THE THREE MONTHS ENDED 31 MARCH 2021

	Ardonagh Group Reported £000	Pro Forma disposal adjust-ments £000	Pro Forma acquisition adjust-ments £000	Pro Forma debt adjust-ments £000	Pro Forma Ardonagh Group £000
Commission and fees	**194,599**	-	10,184	-	**204,783**
Other income	**4,470**	-	265	-	**4,735**
Investment income/(expense)	**(6)**	-	-	-	**(6)**
Salaries and associated costs	**(94,458)**	-	(4,186)	-	**(98,644)**
Other operating costs	**(58,937)**	-	312	-	**(58,625)**
Impairment of financial assets	**(2,497)**	-	(48)	-	**(2,545)**
Depreciation, amortisation and impairment of non-financial assets	**(26,340)**	-	(935)	-	**(27,275)**
Share of profit from joint venture	**284**	-	-	-	**284**
Share of profit from associate	**21**	-	-	-	**21**
Operating profit	**17,136**	-	5,592	-	**22,728**
Gain on revaluation of associate	**1,459**	-	(1,459)	-	**-**
Finance costs	**(43,639)**	-	(20)	(1,126)	**(44,785)**
Finance income	**637**	-	14	-	**651**
Loss before tax	**(24,407)**	-	4,127	(1,126)	**(21,406)**
Tax credit	**1,618**	-	532	-	**2,150**
Loss for the period	**(22,789)**	-	4,659	(1,126)	**(19,256)**

OTHER UNAUDITED FINANCIAL INFORMATION

RECONCILIATION OF REPORTED RESULTS TO PRO FORMA FOR COMPLETED TRANSACTIONS RESULTS
FOR THE THREE MONTHS ENDED 31 MARCH 2020

	Ardonagh Group Reported £000	Pro Forma disposal adjust-ments £000	Pro Forma acquisition adjust-ments £000	Pro Forma debt adjust-ments £000	Pro Forma Ardonagh Group £000
Commission and fees	155,219	(450)	48,126	-	202,895
Other income	4,087	-	502	-	4,589
Investment income	522	-	2	-	524
Salaries and associated costs	(75,113)	219	(24,726)	-	(99,620)
Other operating costs	(48,095)	30	(9,545)	-	(57,610)
Impairment of financial assets	(2,081)	-	(8)	-	(2,089)
Depreciation, amortisation and impairment of non-financial assets	(21,796)	-	(4,688)	-	(26,484)
Share of profit from joint venture	372	-	-	-	372
Share of profit from associate	108	-	(108)	-	-
Operating profit	13,223	(201)	9,555	-	22,577
Finance costs	(27,209)	-	(34)	(20,165)	(47,408)
Finance income	227	-	141	-	368
Loss before tax	(13,759)	(201)	9,662	(20,165)	(24,463)
Tax credit	83	-	97	-	180
Loss for the period	(13,676)	(201)	9,759	(20,165)	(24,283)

OTHER UNAUDITED FINANCIAL INFORMATION

RECONCILIATION OF LOSS FOR THE PERIOD TO ADJUSTED EBITDA
FOR THE THREE MONTHS ENDED 31 MARCH 2021

	Reported		Pro Forma for Completed Transactions	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Loss for the period	**(22,789)**	(13,676)	**(19,256)**	(24,283)
Eliminate:				
Items excluded from EBITDA				
Finance costs	**43,639**	27,209	**44,785**	47,408
Tax credit	**(1,618)**	(83)	**(2,150)**	(180)
Depreciation, amortisation and impairment of non-financial assets	**26,340**	21,796	**27,275**	26,484
Loss from disposal of non-financial assets	**(9)**	449	**(5)**	424
Foreign exchange movements	**521**	(767)	**557**	(863)
EBITDA	**46,084**	34,928	**51,206**	48,990
Eliminate:				
Items excluded from Adjusted EBITDA				
Transformational hires	**618**	945	**803**	1,682
Business transformation costs	**7,827**	4,883	**7,897**	5,396
Legacy costs	**75**	642	**75**	642
Other costs	**1,942**	930	**1,890**	980
Regulatory costs	**3,846**	33	**3,846**	33
Acquisition and financing costs	**7,328**	1,217	**4,443**	3,001
Gain on revaluation of associate	**(1,459)**	-	**-**	-
Adjusted EBITDA	**66,261**	43,578	**70,160**	60,724

OTHER UNAUDITED FINANCIAL INFORMATION

GLOSSARY OF TERMS

Acquisition and Financing Costs
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).

Adjusted EBITDA
EBITDA after adding back Management Reconciling Items.

Adjusted EBITDA Margin
Adjusted EBITDA divided by Total Income.

Available CAR
Total undrawn CAR facility (£300.0m facility available for expenditure on capex, acquisition and re-organisation facility).

Available Cash
Total unrestricted own funds plus ETV restricted funds.

Available Liquidity
Available Cash plus Available RCF (Revolving Credit Facility) plus Available CAR facility (£300.0m facility available for expenditure on capex, acquisition and re-organisation facility).

Available RCF
Available and undrawn RCF.

Business Transformation Costs
Costs (other than restructuring costs) incurred in transforming the legacy Towergate business, in realising synergy benefits from acquired businesses by reorganising management and business structures and by implementing new systems and processes, in reorganising group structures, in transforming business processes, in terminating contractual arrangements, and in driving a cost base that is the right size for the Group.

Cash Generating Unit (CGU)
The smallest group of assets that independently generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Discontinued Operation
A CGU or group of CGUs that has either: (a) been disposed of, or (b) is available for immediate sale in its present condition and its sale is highly probable.

EBITDA
Earnings after adding back finance costs (including effective interest on lease liabilities), tax, depreciation (including depreciation of lease right-of-use assets), amortisation, 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) and foreign exchange movements.

EBITDA Margin
EBITDA divided by Total Income.

Foreign Exchange Movements
Gains/losses arising on the revaluation of monetary items (debtors, creditors, cash, etc.) and on derivatives to which hedge accounting has not been applied.

IAS 34
International Accounting Standard 34 ‘Interim Financial Reporting’. This standard applies when an entity prepares an interim financial report.

IFRS
International Financial Reporting Standards.

Key Performance Indicators
Measures agreed by the Board to determine underlying business performance (Total Income, Adjusted EBITDA, EBITDA, Operating Loss, Loss for the Year).

Legacy Costs
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, and from write down of legacy IBA balances and other receivable balances whilst enhanced processes are being embedded.

OTHER UNAUDITED FINANCIAL INFORMATION

GLOSSARY OF TERMS

Management Reconciling Items

- Discontinued Operations
- Restructuring Costs
- Transformational Hires
- Business Transformation Costs (other than Restructuring Costs)
- Regulatory Costs
- Acquisition and Financing Costs
- Profit/loss on disposal of a business and investments (unless a discontinued operation)
- Legacy Costs
- Other Costs

Non-organic Growth
Growth arising from acquisitions of books of business, trades and assets, and companies.

Operating Cash Conversion
Operating and investing cash flow (as further defined as Adjusted EBITDA less working capital movement and maintenance capital expenditure), over Adjusted EBITDA.

Operating Segments
A component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group Executive Committee to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Organic Growth
Growth adjusted to remove the impact of acquisitions, disposals, FX, hedges, back-books, accounting changes and certain one-off and distorting items.

Other Costs

- Costs incurred in 2020 and 2021 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
- Non-repeatable costs arising from external reviews, from commercial disputes, from a cyber incident (net of insurance recoveries received), and from other one-off events.

Pro Forma for Completed Transactions
IFRS numbers which have been adjusted to: (a) include the results of new acquisitions as if they had occurred on 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, (c) include intra-Group allocations on a consistent basis as the current year reporting and (d) reflect financing transactions as if they had occurred on the first day of the prior year.

Regulatory Costs
Costs associated with one-off regulatory reviews and with changes in the regulatory and compliance environments.

Reported
Numbers disclosed within section 2 of this document (prepared in accordance with IFRS).

Restructuring Costs
Direct expenditures associated with a programme that is planned and controlled by management and that materially changes either: (a) the scope of a business undertaken by Ardonagh, or (b) the manner in which that business is conducted.

Total Income
Commission and fees, other income, investment income and finance income.

Transformational Hires

- Sign-on bonuses and other non-discretionary bonuses; and
- Net losses associated with new joiners hired to drive transformational business growth 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).