

THE
Ardonagh
GROUP

REPORT TO INVESTORS

FOR THE SIX MONTHS ENDED 30 JUNE 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.

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SECTION 1

BUSINESS REVIEW

**FOR THE SIX MONTHS
ENDED 30 JUNE 2021**

DISCLAIMER

This document has been prepared by The Ardonagh Group Limited (“Ardonagh” or “the Group” or “the Company”) 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 six months ended 30 June 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 United Kingdom (IFRSs as adopted by the UK) 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 LLC (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), the acquisition of Chambers and Newman Limited (completed 1 April 2021), the acquisition of Thompson & Bryan (UK) Limited (completed 1 April 2021), the acquisition of the business and assets of Murton Alexander Limited (completed 1 April 2021), the acquisition of the business and assets of Be Wiser Insurance Services Limited (completed 30 April 2021), the acquisition of the business and assets of AFL Retail Limited (completed 1 May 2021), the acquisition of Drayton Ins. Limited (completed 1 June 2021), the acquisition of Tandem Medical Solutions (completed 24 June 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 six months ended 30 June 2021. Information presented in this section is in accordance with IFRS as adopted by the UK 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, Paymentsshield, 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. Paymentsshield 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

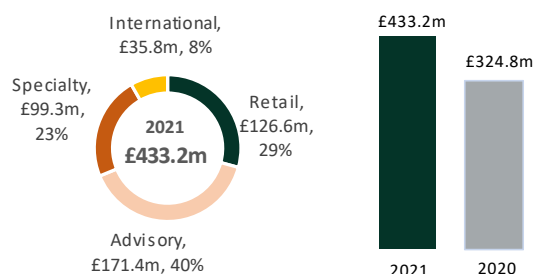
Ardonagh International is comprised of Arachas and Ardonagh Global Partners and consists of primarily non-UK broking enterprises and related investments. The Arachas business is the largest SME-focused commercial insurance broker in Ireland with specialised offerings and a nationwide reach that has allowed 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

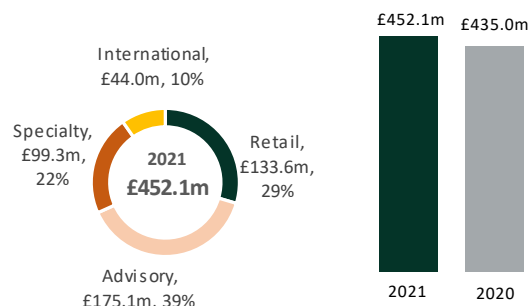
The Group maintains a non-operating segment comprising central costs and income not allocated to the platforms. These costs include Group board costs and Group function costs, including certain legal and regulatory expenses. Income in this segment primarily relates to interest income.

HIGHLIGHTS AND KEY PERFORMANCE INDICATORS FOR THE SIX MONTHS ENDED 30 JUNE 2021

REPORTED TOTAL INCOME*

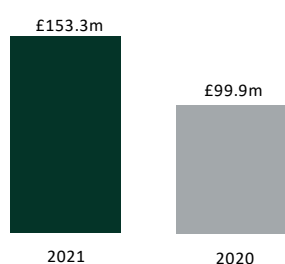


PRO FORMA FOR COMPLETED TRANSACTIONS TOTAL INCOME

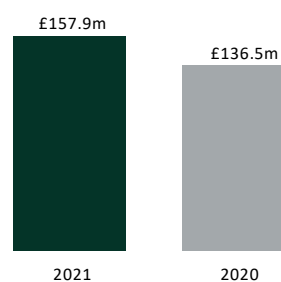


* Includes Non-UK income of £87.8m (2020: £51.1m)

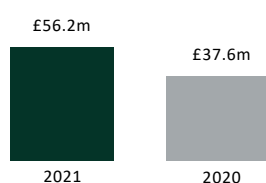
ADJUSTED EBITDA



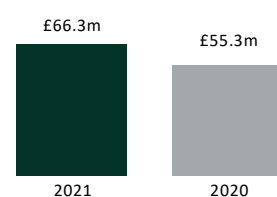
ADJUSTED EBITDA



OPERATING PROFIT



OPERATING PROFIT



Available liquidity

30 June 2021:

£405.1m

31 December 2020:

£596.0m

HIGHLIGHTS AND KEY PERFORMANCE INDICATORS FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 LLC (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), the acquisition of Chambers and Newman Limited (completed 1 April 2021), the acquisition of Thompson & Bryan (UK) Limited (completed 1 April 2021), the acquisition of the business and assets of Murton Alexander Limited (completed 1 April 2021), the acquisition of the business and assets of Be Wiser Insurance Services Limited (completed 30 April 2021), the acquisition of the business and assets of AFL Retail Limited (completed 1 May 2021), the acquisition of Drayton Ins. Limited (completed 1 June 2021), the acquisition of Tandem Medical Solutions (completed 24 June 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 30 June (£ million)	Reported			Pro Forma for Completed Transactions		
	2021	2020	Change	2021	2020	Change
Total income	433.2	324.8	108.4	452.1	435.0	17.1
Adjusted EBITDA	153.3	99.9	53.3	157.9	136.5	21.4
EBITDA	115.2	80.9	34.3	125.9	111.4	14.5
Operating profit	56.2	37.6	18.6	66.3	55.3	11.0
Loss for the period	(41.3)	(94.1)	(52.8)	(33.9)	(41.0)	7.1

2021 quarter two has been very successful building on the positive performance seen in quarter one and across 2020. 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 £108.4m to £433.2m (2020: £324.8m), and **Adjusted EBITDA** increased by £53.3m to £153.3m (2020: £99.9m). There has been income growth which is predominantly a result of the combination of material acquisitions alongside organic growth in Advisory and Specialty. Adjusted EBITDA has increased by 53.4%, 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: Chambers and Newman Limited, Thompson and Bryan Limited and the business and assets of Murton Alexander Limited all on 1 April 2021; the business and assets of Be Wiser Insurance Services Limited on 30 April 2021; the business and assets of AFL Retail Limited on 1 May 2021; Drayton Ins. Limited on 1 June 2021 and Tandem Medical Solutions on 24 June 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 £34.3m to £115.2m (2020: £80.9m) driven by the £53.3m improvement in Reported Adjusted EBITDA offset mainly by increased acquisition costs alongside an increase in business transformation and regulatory costs totalling £19.4m. Cost savings are expected to continue to deliver into underlying EBITDA as programmes continue across all our operating segments.

Operating profit improved by £18.6m to a profit of £56.2m (2020: £37.6m), primarily due to the impact of acquisitions combined with the delivery of cost savings.

Loss for the period reduced by £(52.8)m to £(41.3)m (2020: £(94.1)m). The main contributors were the improvement in the operating result of £18.6m, a reduction in financing costs of £29.1m following the re-financing in 2020 (see Borrowings note 21) and an increase in the tax credit of £3.2m.

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 £17.1m to £452.1m (2020: £435.0m) after adjusting for completed acquisitions. Strong growth has been seen in the Specialty, International and Advisory segments, with a small decline in the Retail segment.

Adjusted EBITDA increased by £21.4m to £157.9m (2020: £136.5m) after adjusting for completed acquisitions. Earnings growth has been seen in all platforms, through income growth combined with the delivery of cost savings and synergies to drive margin improvement.

EBITDA increased by £14.5m to £125.9m (2020: £111.4m) after adjusting for completed acquisitions. This reflects the increase in Total Income, disciplined cost containment and strong delivery of the cost reduction programmes across all segments.

Operating profit increased by £11.0m to £66.3m (2020: £55.3m) after adjusting for completed acquisitions. This reflects Total Income movements offset by costs related to significant transformation initiatives and regulatory costs of increased ETV provisioning.

Loss for the period improved by £7.1m to £(33.9)m (2020: £(41.0)m) after adjusting for completed acquisitions driven mainly by the increase in operating profit of £11.0m offset by a reduction in the tax credit of £4.7m in the period.

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 30 June 2021 and 31 December 2020 are presented below.

	30 June 2021 (unaudited) £m	31 December 2020 (audited) £m
Intangible assets	1,847.2	1,635.3
Property, plant and equipment	25.7	27.1
Other non-current assets	97.0	87.5
Non-current assets	1,970.0	1,749.9
Cash and cash equivalents	738.3	585.6
Current assets - excluding cash and cash equivalents	313.8	284.7
Current liabilities	(790.9)	(716.3)
Net current assets	261.2	154.0
Non-current liabilities	(2,429.3)	(2,053.1)
Net liabilities	(198.2)	(149.2)

Intangible assets increased by £211.9m during the period driven primarily by acquisitions made, see note 10, including Resilium Pty Limited (£40.6m), Hera Indemnity Limited (£20.9m), AccuRisk Solutions (£30.2m), Hemsley Wynne Furlonge LLP (£66.2m), Marmalade Limited (£26.5m) and several other smaller acquisitions.

The £29.1m 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 off-set by the decrease in held for sale assets following the sale of Bennetts.

Current liabilities have increased by £74.6m during the period, primarily driven by an increase in insurance creditors offset by a decrease in accruals following the payment of 2020 bonuses and the decrease in provisions due to further redress payments made under the nearly concluded Enhanced Transfer Value programme partially offset by an increase in Trade and other payables.

The increase in Non-current liabilities of £376.2m during the period is mainly due to an increase in Borrowings of £291.1m, primarily as a result of a further draw on the Capex, Acquisition and Re-organisation (CAR) facility to fund acquisitions during the period, coupled with an increase in Trade and other payables of £62.6m relating to an increase in contingent consideration payable and share buy-out liabilities arising on 2021 acquisitions.

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 £250.0m under the Capex, Acquisition and Re-organisation (CAR) facility. This was primarily offset by interest payments of £53.8m and the acquisition of businesses net of acquired cash of £76.3m.

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 21). The USD Notes have been converted to GBP at the 30 June 2021 foreign exchange rate of 1.38279 and the Euro Notes at a rate of 1.16636.

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

	30 June 2021 £m	31 December 2020 £m
GBP 1,412.8m Term facility due 2026	1,429.0	1,412.8
EUR 180.0m Term facility due 2026	156.1	160.9
GBP 300.0m CAR facility due 2026	300.6	50.0
GBP 191.5m revolving credit facility due 2026	-	-
USD 500.0m PIK toggle Notes due 2027	384.8	365.9
Adjustment to debt carrying value	(101.6)	(105.4)
Total gross secured debt	2,168.9	1,884.2

On 17 August, an additional Capex, Acquisition and Re-organisation facility (CAR upside) of circa £550.0m (drawable in sterling, euros or USD) was agreed with the lenders of the Group's privately placed term loan facility due 2026.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and capital resources *(continued)*

Cash balances and Available Liquidity

	30 June 2021 £m	31 December 2020 £m
Own funds	213.6	140.8
Own funds – restricted	48.5	23.9
Own funds – ETV	-	13.8
Fiduciary	476.2	407.1
Total Cash	738.3	585.6
Less fiduciary and restricted (excluding ETV)	(524.7)	(431.1)
Available Cash	213.6	154.5
Available RCF	191.5	191.5
Available CAR	-	250.0
Available Liquidity	405.1	596.0

On 30 June 2021, the RCF was undrawn. Under the financing arrangements in place on 30 June 2021, the RCF commitment was fully available.

SECTION 2

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

**FOR THE SIX MONTHS
ENDED 30 JUNE 2021**

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FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Note	Six months ended 30 June (unaudited) 2021 £000	Six months ended 30 June (unaudited) 2020 £000
Commission and fees	5	422,260	315,148
Other income	5	10,043	8,494
Investment income	5	27	730
Salaries and associated costs	5	(197,202)	(149,912)
Other operating costs	5	(119,174)	(89,785)
Impairment of financial assets	5	(4,447)	(4,253)
Depreciation, amortisation and impairment of non-financial assets	5	(55,901)	(44,149)
Fair value gain on de-designated cross currency derivatives	5	-	281
Share of profit from joint venture	14	545	787
Share of profit from associate	14	57	262
Operating profit		56,208	37,603
Gain on revaluation of associate	5	1,459	-
Gain on disposal of business	5	-	162
Finance costs	6	(104,118)	(133,263)
Finance income	6	890	463
Loss before tax		(45,561)	(95,035)
Tax credit	5	4,248	959
Loss for the period		(41,313)	(94,076)
Attributable to:			
Owners of the parent		(42,577)	(96,661)
Non-controlling interests		1,264	2,585
Loss for the period		(41,313)	(94,076)

The notes on pages 22 to 60 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 SIX MONTHS ENDED 30 JUNE 2021

	Note	Six months ended 30 June (unaudited) 2021 £000	Six months ended 30 June (unaudited) 2020 £000
Loss for the period		(41,313)	(94,076)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(9,255)	410
Change in costs of hedging reserve	19	2,079	(817)
Change in cash flow hedging reserve	19	(2,992)	(10,625)
Income tax relating to these items		173	2,136
Loss on financial assets at FVTOCI		(19)	-
Other comprehensive expense for the period		(10,014)	(8,896)
Total comprehensive loss for the period		(51,327)	(102,972)
Attributable to:			
Owners of the parent		(52,591)	(105,557)
Non-controlling interests		1,264	2,585
Total comprehensive loss for the period		(51,327)	(102,972)

The notes on pages 22 to 60 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 30 JUNE 2021

	Note	Three months ended 30 June (unaudited) 2021 £000	Three months ended 30 June (unaudited) 2020 £000
Commission and fees	5	227,661	159,929
Other income	5	5,573	4,407
Investment income	5	33	208
Salaries and associated costs	5	(102,744)	(74,799)
Other operating costs	5	(60,237)	(41,690)
Impairment of financial assets	5	(1,950)	(2,172)
Depreciation, amortisation and impairment of non-financial assets	5	(29,561)	(22,353)
Fair value gain on de-designated cross currency derivatives	5	-	281
Share of profit from joint venture	5	261	415
Share of profit from associate	5	36	154
Operating profit		39,072	24,380
Gain on disposal of business	5	-	162
Finance costs	6	(60,479)	(106,054)
Finance income	6	253	236
Loss before tax		(21,154)	(81,276)
Tax credit	5	2,630	876
Loss for the period		(18,524)	(80,400)
Attributable to:			
Owners of the parent		(19,549)	(82,087)
Non-controlling interests		1,025	1,687
Loss for the period		(18,524)	(80,400)

The notes on pages 22 to 60 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 30 JUNE 2021

	Three months ended 30 June (unaudited) 2021 £000	Three months ended 30 June (unaudited) 2020 £000
Note		
Loss for the period	(18,524)	(80,400)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(7,483)	(47)
Change in costs of hedging reserve	818	570
Change in cash flow hedging reserve	(1,350)	(9,261)
Income tax relating to these items	101	1,651
Other comprehensive expense for the period	(7,914)	(7,087)
Total comprehensive loss for the period	(26,438)	(87,487)
Attributable to:		
Owners of the parent	(27,463)	(89,174)
Non-controlling interests	1,025	1,687
Total comprehensive loss for the period	(26,438)	(87,487)

The notes on pages 22 to 60 form an integral part of these interim condensed consolidated financial statements.

FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	30 June 2021 (unaudited) £000	31 December 2020 (audited) £000
Non-current assets			
Intangible assets	9	1,847,237	1,635,322
Property, plant and equipment	12	25,713	27,110
Right-of-use assets	13	42,017	41,052
Investment in associates and joint ventures	14	4,609	8,759
Financial assets at fair value through other comprehensive income	18	289	285
Trade and other receivables	16	36,034	24,183
Contract assets		3,349	2,663
Other assets		10,202	10,049
Derivatives	19	509	446
		1,969,959	1,749,869
Current assets			
Cash and cash equivalents	15	738,321	585,637
Trade and other receivables	16	271,477	219,318
Derivatives	19	2,430	3,098
Contract assets		11,913	11,482
Other assets		27,828	25,439
Financial assets at fair value through profit or loss	18	14	14
Current tax asset		-	1,145
Assets held for sale	7	146	24,146
		1,052,129	870,279
Current liabilities			
Trade and other payables	20	(676,723)	(594,694)
Borrowings	21	(54,882)	(46,909)
Lease liabilities	13	(13,841)	(12,997)
Derivatives	19	(1,028)	(508)
Contract liabilities		(32,965)	(30,856)
Provisions	22	(9,579)	(28,359)
Current tax liability		(1,897)	(1,978)
		(790,915)	(716,301)
Net current assets		261,214	153,978
Non-current liabilities			
Trade and other payables	20	(79,956)	(17,367)
Borrowings	21	(2,213,435)	(1,922,353)
Lease liabilities	13	(36,199)	(36,882)
Derivatives	19	(57,702)	(50,735)
Contract liabilities		(1,178)	(1,288)
Provisions	22	(14,660)	(13,863)
Deferred tax liabilities	8	(26,214)	(10,589)
		(2,429,344)	(2,053,077)
Net liabilities		(198,171)	(149,230)

FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	30 June 2021 (unaudited) £000	31 December 2020 (audited) £000
Capital and reserves attributable to the Group's shareholders			
Share capital	23	8,806	8,593
Share premium	23	1,030,262	991,771
Retained losses		(1,093,159)	(994,952)
Hedging reserves		(6,404)	(5,664)
Treasury share reserve		(136,005)	(136,005)
Foreign currency translation reserve		(12,523)	(3,268)
Shareholders' equity		(209,023)	(139,525)
Non-controlling interest		10,852	(9,705)
Total equity		(198,171)	(149,230)

The notes on pages 22 to 60 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 18 August 2021 and was signed on its behalf by:



D Cougill
Director

FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 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 for the period	-	-	(42,577)	-	-
Other comprehensive expense	-	-	(19)	(740)	-
	8,593	991,771	(1,037,548)	(6,404)	(136,005)
Share-based payment scheme	-	-	(1,239)	-	-
Issue of share capital	34	948	-	-	-
Distribution to non-controlling interests	-	-	121	-	-
Transactions with non-controlling interest	179	37,543	(54,493)	-	-
At 30 June 2021 (unaudited)	8,806	1,030,262	(1,093,159)	(6,404)	(136,005)

	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 for the period	-	(42,577)	1,264	(41,313)
Other comprehensive expense	(9,255)	(10,014)	-	(10,014)
	(12,523)	(192,116)	(8,441)	(200,557)
Share-based payment scheme	-	(1,239)	-	(1,239)
Issue of share capital	-	982	-	982
Distribution to non-controlling interests	-	121	(543)	(422)
Transactions with non-controlling interest	-	(16,771)	19,836	3,065
At 30 June 2021 (unaudited)	(12,523)	(209,023)	10,852	(198,171)

The notes on pages 22 to 60 form an integral part of these interim condensed consolidated financial statements.

FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 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	-	-	(96,661)	-	-
Other comprehensive (expense)/income	-	-	-	(9,306)	-
	7,331	740,886	(753,044)	(7,500)	(11,015)
Share-based payment scheme	-	-	209	-	-
Purchase of own shares	-	-	-	-	(5,257)
Cancellation of treasury shares	-	-	(16,272)	-	16,272
Distribution to non-controlling interest	-	-	-	-	-
Transactions with non-controlling interest	109	13,312	(16,422)	-	-
Disposal of subsidiary	-	-	-	-	-
Capital not yet issued	-	-	-	-	-
At 30 June 2020 (unaudited)	7,440	754,198	(785,529)	(7,500)	-

	Other capital reserve £000	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	-	-	(96,661)	2,585	(94,076)
Other comprehensive (expense)/income	-	410	(8,896)	-	(8,896)
	-	714	(22,628)	6,774	(15,854)
Share-based payment scheme	-	-	209	-	209
Purchase of own shares	-	-	(5,257)	-	(5,257)
Cancellation of treasury shares	-	-	-	-	-
Distribution to non-controlling interest	-	-	-	(120)	(120)
Transactions with non-controlling interest	-	-	(3,001)	(5,265)	(8,266)
Disposal of subsidiary	-	-	-	1,150	1,150
Capital not yet issued	15,000	-	15,000	-	15,000
At 30 June 2020 (unaudited)	15,000	714	(15,677)	2,539	(13,138)

*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 22 to 60 form an integral part of these interim condensed consolidated financial statements.

FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Note	Six months ended 30 June (unaudited) 2021 £000	Six months ended 30 June (unaudited) 2020 £000
Cash flows from operating activities			
Net cash inflow from operations	17	82,137	79,555
Finance income and Investment income received		227	1,188
Income from associate and joint venture	14	677	1,117
Tax paid		(1,630)	(321)
Settlement of forward contracts		(1,767)	(1,093)
Net cash inflow from operating activities		79,644	80,446
Cash flows from investing activities			
Acquisition of businesses net of cash acquired	10	(76,286)	(24,572)
Purchase of property, plant, equipment and intangible assets		(9,741)	(10,292)
Proceeds on disposal of property, plant and equipment		-	694
Net cash disposed of with business		-	(30)
Purchase of financial asset		(5,357)	-
Proceeds on disposal of financial asset		22,750	-
Contingent consideration received		753	-
Contingent consideration paid		(8,561)	-
Initial lease costs less incentives received		(154)	290
Issue of loan		(12,610)	-
Net cash outflow from investing activities		(89,206)	(33,910)
Cash flows from financing activities			
Interest paid on borrowings		(53,776)	(49,327)
Repayments of premium financing		-	(4,341)
Debt transaction costs		-	(3,867)
Repayment of lease liabilities		(7,971)	(5,968)
Transactions with non-controlling interests		2,991	(3,927)
Early termination of cross currency swaps		-	14,687
Purchase of own shares		(8,417)	(1,541)
Proceeds from borrowings		255,157	70,000
Repayment of borrowings		(21,046)	-
Net cash inflow from financing activities		166,938	15,716
Net increase in cash and cash equivalents		157,376	62,252
Cash and cash equivalents at the beginning of the year	15	585,637	410,903
Cash disclosed as held for sale at the beginning of the period		-	799
Effect of movements in exchange rates on cash held		(4,692)	9,128
Cash and cash equivalents at the end of the period	15	738,321	483,082

Cash and cash equivalents include restricted cash (see note 15).

The notes on pages 22 to 60 form an integral part of these interim condensed consolidated financial statements.

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.

FINANCIAL STATEMENTS

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 United Kingdom. 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 13 to 21 have been prepared on a going concern basis. At 30 June 2021, the Group had net liabilities of £198.2m (31 December 2020: £149.2m) and net current assets of £261.2m (31 December 2020: £154.0m). The Group reported an operating profit of £56.2m for the six months ended 30 June 2021 (30 June 2020: £37.6m), net cash inflows from operating activities of £79.6m (30 June 2020: £80.4m), cash inflows of £157.4m (30 June 2020: £62.3m) and operating cash conversion of 97% (31 December 2020: 97%). Available cash of £213.6m was reported at 30 June 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.
- The impact on the base case cashflow forecasts arising from material acquisitions since the finalisation of the Group's base case budget.
- The principal risks facing the Group, including the potential financial impacts of Covid-19 as lockdown restrictions are eased in the UK, and its systems of risk management and internal control.
- Actual trading and cashflows that arose in the seven months ended July 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 has materially completed 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.

FINANCIAL STATEMENTS

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.

FINANCIAL STATEMENTS

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 be 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.

FINANCIAL STATEMENTS

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

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

Key sources of estimation uncertainty

Leases – determination of the discount rate

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

The 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.

The Group used an average discount rate of 9.5%, which was determined by reference to the interest rate on the CAR facility (see note 21).

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 30 June 2021 is £26.2m (31 December 2020: £10.6m).

FINANCIAL STATEMENTS

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 30 June 2021, a loss corridor liability of £2.7m is included within trade and other payables and a variable profit commission of £10.1m is included within contract assets.

Fair value gains and losses on financial assets at FVTPL are recognised on a business combination in relation to the Group's right to variable consideration on rolling contracts with customers for which the performance obligation was satisfied prior to the acquisition. The fair value of the Swinton rolling contract (a closed book of business) is a level 3 valuation, in accordance with IFRS 13 'Fair Value Measurement', the key assumptions of which are (a) the product lifetime restrictions of 12, 24 and 36 months for the Home Emergency Cover, Swinton Breakdown Insurance, and Personal Accident products, (b) the discount rate, which is based on the Ardonagh weighted average cost of capital (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 £6.4m 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 30 June 2021 (31 December 2020: £24.8m).

FINANCIAL STATEMENTS

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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: 1.9%), and a terminal value was calculated using the perpetual growth model. The discount rate of 9.84% (2020: 9.31%) 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.

FINANCIAL STATEMENTS

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, £87.8m (2020: £51.1m) 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.

FINANCIAL STATEMENTS

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 Segmental analysis (continued)

Six months ended 30 June 2021	Ardonagh Retail £000	Ardonagh Advisory £000	Ardonagh Specialty £000	Ardonagh International £000	Corporate £000	Total £000
Commission and fees	117,134	171,491	98,878	34,607	150	422,260
Other income	9,503	204	284	38	14	10,043
Investment income	-	-	-	27	-	27
Salaries and associated costs	(36,983)	(77,156)	(56,503)	(16,126)	(10,434)	(197,202)
Other operating costs	(41,777)	(37,736)	(22,289)	(12,566)	(4,806)	(119,174)
Impairment of financial assets	(82)	(93)	396	(7)	(4,661)	(4,447)
Depreciation, amortisation and impairment of non-financial assets	(15,498)	(21,924)	(12,284)	(5,294)	(901)	(55,901)
Share of profit from joint venture	545	-	-	-	-	545
Share of profit from associate	-	-	57	-	-	57
Operating profit/(loss)	32,842	34,786	8,539	679	(20,638)	56,208
Gain on revaluation of associate	-	-	1,459	-	-	1,459
Finance costs	(741)	1,200	(1,016)	(362)	(103,199)	(104,118)
Finance income/(expense)	1	(308)	90	1,092	15	890
Profit/(loss) before tax	32,102	35,678	9,072	1,409	(123,822)	(45,561)
Tax credit						4,248
Loss for the period						(41,313)
Finance costs						104,118
Tax credit						(4,248)
Depreciation						9,496
Amortisation						46,372
Impairment of non-financial assets						33
Gain from disposal of non-financial assets						(67)
Foreign exchange movements						815
Transformational hires						1,953
Business transformation costs						13,698
Legacy costs						(726)
Other costs						5,683
Regulatory costs						4,411
Acquisition and financing costs						14,512
Gain on revaluation of associate						(1,459)
Adjusted EBITDA	49,416	65,649	29,815	14,601	(6,203)	153,278

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 Segmental analysis (continued)

Three months ended 30 June 2021	Ardonagh Retail £000	Ardonagh Advisory £000	Ardonagh Specialty £000	Ardonagh International £000	Corporate £000	Total £000
Commission and fees	63,834	94,177	48,821	20,679	150	227,661
Other income/(expense)	5,342	189	177	(149)	14	5,573
Investment income	-	-	6	27	-	33
Salaries and associated costs	(19,961)	(39,209)	(28,039)	(10,055)	(5,480)	(102,744)
Other operating costs	(22,197)	(20,422)	(11,125)	(6,246)	(247)	(60,237)
Impairment of financial assets	2,752	(124)	89	(6)	(4,661)	(1,950)
Depreciation, amortisation and impairment of non-financial assets	(7,949)	(12,830)	(5,229)	(3,126)	(427)	(29,561)
Share of profit from joint venture	261	-	-	-	-	261
Share of profit from associate	-	-	36	-	-	36
Operating profit/(loss)	22,082	21,781	4,736	1,124	(10,651)	39,072
Finance costs	(384)	(1,608)	(523)	(198)	(57,766)	(60,479)
Finance income/(expense)	1	(349)	47	546	8	253
Profit/(loss) before tax	21,699	19,824	4,260	1,472	(68,409)	(21,154)
Tax credit						2,630
Loss for the period						(18,524)
Finance costs						60,479
Tax credit						(2,630)
Depreciation						4,871
Amortisation						24,671
Impairment of non-financial assets						19
Gain from disposal of non-financial assets						(58)
Foreign exchange movements						294
Transformational hires						1,335
Business transformation costs						5,871
Legacy costs						(801)
Other costs						3,741
Regulatory costs						565
Acquisition and financing costs						7,184
Adjusted EBITDA	27,576	39,691	14,198	8,367	(2,815)	87,017

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 Segmental analysis (continued)

Six months ended 30 June 2020	Ardonagh Retail £000	Ardonagh Advisory £000	Ardonagh Specialty £000	Ardonagh International £000	Corporate £000	Total £000
Commission and fees	109,414	124,111	80,711	-	912	315,148
Other income	8,308	32	154	-	-	8,494
Investment income	12	2	420	-	296	730
Salaries and associated costs	(36,344)	(54,846)	(49,486)	-	(9,236)	(149,912)
Other operating costs	(34,188)	(29,013)	(19,021)	-	(7,563)	(89,785)
Impairment of financial assets	(4,564)	(125)	436	-	-	(4,253)
Depreciation, amortisation and impairment of non-financial assets	(15,164)	(12,570)	(13,928)	-	(2,487)	(44,149)
Fair value gain on de-designated cross currency derivatives	-	-	-	-	281	281
Share of profit from joint venture	787	-	-	-	-	787
Share of profit from associate	-	-	262	-	-	262
Operating profit/(loss)	28,261	27,591	(452)	-	(17,797)	37,603
Gain on disposal of business	-	-	162	-	-	162
Finance costs	(1,043)	(1,210)	(699)	-	(130,311)	(133,263)
Finance income	66	8	228	-	161	463
Profit/(loss) before tax	27,284	26,389	(761)	-	(147,947)	(95,035)
Tax credit						959
Loss for the period						(94,076)
Finance costs						133,263
Tax credit						(959)
Depreciation						9,058
Amortisation						35,161
Impairment of non-financial assets						(70)
Fair value gain on de-designated cross currency derivatives						(281)
Gain from disposal of non-financial assets						(374)
Foreign exchange movements						(794)
Transformational hires						1,786
Business transformation costs						9,097
Legacy costs						836
Other costs						3,306
Regulatory costs						415
Acquisition and financing costs						3,724
Gain on disposal of business						(162)
Adjusted EBITDA	45,272	43,138	18,363	-	(6,843)	99,930

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 Segmental analysis (continued)

Three months ended 30 June 2020	Ardonagh Retail £000	Ardonagh Advisory £000	Ardonagh Specialty £000	Ardonagh International £000	Corporate £000	Total £000
Commission and fees	54,716	64,899	40,067	-	247	159,929
Other income	4,316	-	91	-	-	4,407
Investment income	6	-	84	-	118	208
Salaries and associated costs	(18,514)	(27,255)	(24,463)	-	(4,567)	(74,799)
Other operating costs	(14,921)	(13,283)	(8,567)	-	(4,919)	(41,690)
Impairment of financial assets	(2,433)	100	161	-	-	(2,172)
Depreciation, amortisation and impairment of non-financial assets	(7,553)	(6,370)	(6,928)	-	(1,502)	(22,353)
Fair value gain on de-designated cross currency derivatives	-	-	-	-	281	281
Share of profit from joint venture	415	-	-	-	-	415
Share of profit from associate	-	-	154	-	-	154
Operating profit/(loss)	16,032	18,091	599	-	(10,342)	24,380
Gain on disposal of business	-	-	162	-	-	162
Finance costs	(401)	(653)	(308)	-	(104,692)	(106,054)
Finance income	23	5	130	-	78	236
Profit/(loss) before tax	15,654	17,443	583	-	(114,956)	(81,276)
Tax credit						876
Loss for the period						(80,400)
Finance costs						106,054
Tax credit						(876)
Depreciation						4,901
Amortisation						17,472
Impairment of non-financial assets						(20)
Fair value gain on de-designated cross currency derivatives						(281)
Gain from disposal of non-financial assets						(823)
Foreign exchange movements						(27)
Transformational hires						841
Business transformation costs						4,214
Legacy costs						194
Other costs						2,376
Regulatory costs						382
Acquisition and financing costs						2,507
Gain on disposal of business						(162)
Adjusted EBITDA	24,482	25,607	9,662	-	(3,399)	56,352

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6 Finance income and finance costs

	Six months ended 30 June 2021 (unaudited) £000	Six months ended 30 June 2020 (unaudited) £000
Financial assets measured at amortised cost		
Interest income – own funds	115	393
Interest income – discount unwind	6	44
Interest income – other	769	26
Financial liabilities measured at amortised cost		
Unwinding of transaction costs and discount on financial liabilities	(3,983)	(5,094)
Interest expense – bank and other borrowings	(91,707)	(86,335)
Interest expense – commitment and other fees	(467)	(896)
Interest expense – other loans	(27)	(546)
Interest on premium financing liabilities	-	(223)
Remeasurement of borrowings due to early repayment	-	(81,555)
Other finance income/(costs)		
Amounts reclassified from the cash flow hedging reserve for derivatives	(7,316)	40,017
Amortisation of costs of hedging	(718)	(95)
Early termination of hedges	-	4,281
Remeasurement of contingent consideration	3,060	-
Effective interest on lease liabilities	(2,951)	(2,817)
Unwinding of discount on provisions	(9)	-
Net finance costs	(103,228)	(132,800)
Analysed as:		
Finance income	890	463
Finance costs	(104,118)	(133,263)
Net finance costs	(103,228)	(132,800)

During the period, the coupon interest expense on the Group's debt totalled £101.2m (30 June 2020: £46.2m). A further £4.0m (30 June 2020: £35.0m of which £30.2m due to early redemption of senior secured notes) 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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6 Finance income and finance costs *(continued)*

	Three months ended 30 June 2021 (unaudited) £000	Three months ended 30 June 2020 (unaudited) £000
Financial assets measured at amortised cost		
Interest income – own funds	48	188
Interest income – discount unwind	3	28
Interest income – other	202	20
Financial liabilities measured at amortised cost		
Unwinding of transaction costs and discount on financial liabilities	(2,381)	(2,507)
Interest expense – bank and other borrowings	(52,705)	(26,643)
Interest expense – commitment and other fees	(243)	(495)
Interest expense – other loans	(9)	-
Interest on premium financing liabilities	-	(11)
Remeasurement of borrowings due to early repayment	-	(81,555)
Other finance income/(costs)		
Amounts reclassified from the cash flow hedging reserve for derivatives	(2,613)	2,343
Amortisation of costs of hedging	(368)	(57)
Early termination of hedges	-	4,281
Remeasurement of contingent consideration	(701)	-
Effective interest on lease liabilities	(1,454)	(1,410)
Unwinding of discount on provisions	(5)	-
Net finance costs	(60,226)	(105,818)
Analysed as:		
Finance income	253	236
Finance costs	(60,479)	(106,054)
Net finance costs	(60,226)	(105,818)

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7 Assets held for sale

As at 30 June 2021, the Group classified the following as held for sale:

- Several freehold and leasehold properties, which form part of the Ardonagh Retail reportable segment

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

	Swinton properties £000	30 June 2021 £000
Right-of-use assets	146	146
	146	146

	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

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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 9% (30 June 2020: 1%) giving rise to a tax credit of £4.2m (30 June 2020: £1.0m).

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.

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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.

	30 June 2021 (unaudited) £000	31 December 2020 (audited) £000
Start of the period	1,635,322	1,112,194
Business combinations	262,309	592,740
Net additions	6,078	10,545
Foreign exchange movement	(10,052)	(3,731)
Amortisation charge for the period	(46,372)	(76,426)
Impairment	(48)	-
End of the period	1,847,237	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:

	30 June 2021 (unaudited) £000	31 December 2020 (audited) £000
Start of the period	1,192,002	732,489
Business combinations	147,808	465,903
Foreign exchange movement	(7,445)	(2,806)
Net disposals	(9,266)	(3,584)
End of the period	1,323,099	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 six-month period to 30 June 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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10 Business combinations

The Group made the acquisitions below during the six-month reporting period ending 30 June 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 £9.4m cash and contingent consideration with a fair value that is estimated to be £2.4m.
- On 15 February 2021, the Group purchased Resilium Pty Limited. The consideration paid was AUD9.8m cash, an AUD10.0m loan note in Mustang TopCo Pty Limited recognised as deferred consideration, and shares with a fair value of AUD14.5m 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, deferred consideration with a fair value of £1.3m and contingent consideration with a fair value of £0.6m.
- On 30 March 2021, the Group purchased AccuRisk Solutions LLC. The consideration paid was USD30.8m 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 £24.5m 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 £25.8m, and 12,924,096 preference shares in HIBL with a fair value of £13.2m.
- 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.
- On 1 June 2021, the Group purchased Drayton Ins. Limited. The consideration paid was £7.3m cash and contingent consideration with a fair value of £2.6m.
- Individually immaterial business combinations include:
 - Acquisitions within the International operating segment for which the aggregate consideration paid was €6.4m and USD7.2m cash, contingent consideration with a fair value of €1.4m and USD1.3m, and ordinary shares with a fair value of €3.0m;
 - Acquisitions within the Ardonagh Retail operating segment for which the aggregate consideration paid was £5.8m cash;
 - Acquisitions within the Ardonagh Advisory operating segment for which the aggregate consideration paid was £10.2m cash, and contingent consideration with a fair value of £3.2m; and
 - Acquisitions within the Ardonagh Specialty operating segment for which the aggregate consideration paid was £0.1m contingent consideration.

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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
<i>Purchase consideration</i>				
Cash paid	-	9,416	5,499	19,923
Deferred consideration	-	-	5,595	1,273
Contingent consideration	-	2,447	-	589
Share buyout	-	-	-	-
Other debtors	-	-	-	-
Other creditors	-	-	-	(3)
Foreign exchange movements	-	-	(566)	-
<i>Non-controlling interest</i>				
Minority interest	6,451	-	8,099	-
<i>Fair value of any pre-existing interest</i>				
Fair value of associate	5,537	-	-	-
Total purchase and other consideration	11,988	11,863	18,627	21,782
Non-current assets				
Intangible assets	-	-	-	-
Property, plant and equipment	-	171	7	26
Right-of-use assets	104	-	410	41
Financial assets at fair value through other comprehensive income	-	4	-	-
Current assets				
Cash and cash equivalents	7,458	1,576	32,806	5,169
Trade and other receivables	6,877	347	34,222	4,639
Other assets	-	-	-	-
Current liabilities				
Trade and other payables	(11,398)	(1,556)	(64,200)	(7,679)
Lease liabilities	-	-	-	-
Provisions	-	-	-	-
Borrowings	-	-	(1,645)	-
Contract liabilities	-	(79)	-	-
Non-current liabilities				
Trade and other payables	-	-	(4,916)	-
Lease liabilities	-	-	(409)	(41)
Provisions	-	(10)	-	-
Borrowings	-	(319)	(15,385)	-
Net assets/(liabilities) acquired	3,041	134	(19,110)	2,155
Net identifiable intangible assets acquired	8,408	3,519	9,396	6,518
Deferred tax	(694)	(669)	(2,819)	(1,239)
Goodwill	1,233	8,879	31,160	14,348
Total purchase consideration	11,988	11,863	18,627	21,782

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10 Business combinations (continued)

	AccuRisk Solutions LLC £000	Hemsley Wynne Furlonge LLP £000	Marmalade Limited £000	Drayton Ins. Limited £000
<u>Purchase consideration</u>				
Cash paid	22,379	22,996	21,000	7,337
Deferred consideration	-	-	-	-
Contingent consideration	-	30	6,400	2,629
Share buyout	-	39,039	-	-
Other debtors	-	-	1,160	-
Other creditors	-	1,478	-	-
Foreign exchange movements	(379)	-	-	-
<u>Non-controlling interest</u>				
Minority interest	3,599	-	-	-
<u>Fair value of any pre-existing interest</u>				
Fair value of associate	-	-	-	-
Total purchase and other consideration	25,599	63,543	28,560	9,966
Non-current assets				
Intangible assets	-	-	-	-
Property, plant and equipment	100	35	298	12
Right-of-use assets	227	86	772	-
Financial assets at fair value through other comprehensive income	-	-	-	-
Current assets				
Cash and cash equivalents	720	254	2,968	1,965
Trade and other receivables	3,626	926	2,607	76
Other assets	298	386	-	-
Current liabilities				
Trade and other payables	(2,018)	(704)	(2,717)	(568)
Lease liabilities	(111)	(86)	(146)	-
Provisions	-	-	-	(160)
Borrowings	(331)	-	-	-
Contract liabilities	-	-	-	(15)
Non-current liabilities				
Trade and other payables	-	-	-	(2)
Lease liabilities	(117)	-	(604)	-
Provisions	-	-	-	-
Borrowings	(5,461)	-	-	-
Net assets/(liabilities) acquired	(3,067)	897	3,178	1,308
Net identifiable intangible assets acquired	7,226	18,794	6,000	2,990
Deferred tax	(1,518)	(3,571)	(1,140)	(568)
Goodwill	22,958	47,423	20,522	6,236
Total purchase consideration	25,599	63,543	28,560	9,966

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10 Business combinations (continued)

	Aggregated immaterial business combinations £000	Prior period measurement adjustments £000	Total £000
<i>Purchase consideration</i>			
Cash paid	26,560	1,788	136,898
Deferred consideration	-	-	6,868
Contingent consideration	5,228	46	17,369
Share buyout	2,606	-	41,645
Other debtors	(10)	(2,193)	(1,043)
Other creditors	476	-	1,951
Foreign exchange movements	12	-	(933)
<i>Non-controlling interest</i>			
Minority interest	-	(54)	18,095
<i>Fair value of any pre-existing interest</i>			
Fair value of associate	-	-	5,537
Total purchase and other consideration	34,872	(413)	226,387
Non-current assets			
Intangible assets	165	-	165
Property, plant and equipment	409	-	1,058
Right-of-use assets	319	808	2,767
Financial assets at fair value through other comprehensive income	-	-	4
Current assets			
Cash and cash equivalents	7,696	-	60,612
Trade and other receivables	4,976	-	58,296
Other assets	-	-	684
Current liabilities			
Trade and other payables	(15,960)	(5)	(106,805)
Lease liabilities	(105)	-	(448)
Provisions	-	-	(160)
Borrowings	-	-	(1,976)
Contract liabilities	(57)	-	(151)
Non-current liabilities			
Trade and other payables	(429)	-	(5,347)
Lease liabilities	(202)	-	(1,373)
Provisions	(170)	-	(180)
Borrowings	-	-	(21,165)
Net assets/(liabilities) acquired	(3,358)	803	(14,019)
Net identifiable intangible assets acquired	12,313	39,172	114,336
Deferred tax	(2,010)	(7,510)	(21,738)
Goodwill	27,927	(32,878)	147,808
Total purchase consideration	34,872	(413)	226,387

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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11 Transactions with non-controlling interests

The effect on the equity attributable to the owners of the Group is summarised below:

30 June 2021	Atlanta Investment Holdings 3 Limited £000	Nevada 5 Midco 2 Limited £000	Total £000
Carrying amount of non-controlling interests purchased	5,630	(5,554)	76
Fair value of consideration paid to non-controlling interests:			
Loan notes	16,535	-	16,535
Shares in the Company	22,281	15,443	37,724
Transaction costs	-	310	310
Excess of fair value of consideration paid/payable recognised within equity	33,186	21,307	54,493

On 19 April 2021, the Group purchased 2,549,381 of the 5,098,762 B ordinary shares and 15,000,000 of the 20,000,000 A ordinary shares of Nevada 5 Midco 2 Limited from minority shareholders in exchange for 1,066,270 new TAGL B ordinary shares with a fair value of £2,243,455 (€2,606,581) and 6,273,699 TAGL ordinary shares with a fair value of £13,200,000 (€15,336,552). Nevada 5 Topco Limited is the direct parent of Nevada 5 Midco 2 Limited. It is the shares of Nevada 5 Midco 2 Limited that are bought by its direct parent from minority shareholders.

On 11 June 2021, the Group purchased 3,262,071 and 2,342,527 Atlanta A shares in Atlanta Investment Holdings 3 Limited from minority shareholders, the consideration for which was, respectively, 10,590,693 TAGL ordinary shares with a fair value of £22,280,701 and £15,999,999 of loan notes (which included pre-funded interest of £534,794) such that the gross carrying amount of the debt on issue date is £16,534,793. The loan notes are redeemable over three years to 31 July 2023. Nevada Investments Topco Limited is the direct parent of Atlanta Investment Holdings 3 Limited. It is the shares of Atlanta Investment Holdings 3 Limited that are bought by its direct parent from minority shareholders.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12 Property, plant and equipment

The table below provides a schedule of the movements in the carrying value of property, plant and equipment held on the interim condensed consolidated statement of financial position.

	30 June 2021 (unaudited) £000	31 December 2020 (audited) £000
Start of the period	27,110	26,168
Business combinations	1,058	4,543
Net additions	1,756	6,568
Foreign exchange movement	(182)	(92)
Depreciation charge for the period	(4,029)	(10,077)
End of the period	25,713	27,110

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13 Leases

The tables below provide a schedule of the movements in the carrying amount of the right-of-use assets and corresponding lease liabilities held on the interim condensed consolidated statement of financial position.

	Right-of-use assets			Lease liabilities £000
	Property £000	Non-property £000	Total £000	
Six months ended 30 June 2021				
Start of the period	37,889	3,163	41,052	(49,879)
Additions	3,259	356	3,615	(3,426)
Business combinations	2,619	148	2,767	(1,821)
Terminations/modifications	218	(21)	197	(112)
Depreciation	(4,770)	(697)	(5,467)	-
Impairment	15	-	15	-
Interest expense	-	-	-	(2,951)
Lease payments	-	-	-	7,971
Foreign exchange movements	(163)	1	(162)	178
End of the period	39,067	2,950	42,017	(50,040)
Current				(13,841)
Non-current				(36,199)
				(50,040)

	Right-of-use assets			Lease liabilities £000
	Property £000	Non-property £000	Total £000	
Year ended 31 December 2020				
Start of the period	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
End of the period	37,889	3,163	41,052	(49,879)
Current				(12,997)
Non-current				(36,882)
				(49,879)

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14 Investment in associates and joint ventures

Associates

On 12 September 2019, the Group acquired a 40% interest in Sino Insurance Brokers Limited (which has a wholly owned subsidiary, Sino Reinsurance Brokers Limited), comprising 400,000 ordinary shares of HK\$1 each. This associate is initially recognised at cost and subsequently via the equity method, where the cost is the consideration comprising cash of HK\$14.3m and deferred contingent consideration with a fair value 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.

	30 June 2021 (unaudited) £000	31 December 2020 (audited) £000
Investment in associates		
Start of the period	5,124	3,800
Addition	-	1,014
Disposal	(4,078)	-
Foreign exchange movement	3	15
Share of profit for the period	57	608
Dividend received	-	(313)
End of the period	1,106	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.

	30 June 2021 (unaudited) £000	31 December 2020 (audited) £000
Investment in joint ventures		
Start of the period	3,635	3,620
Share of profit for the period	545	1,417
Dividend received	(677)	(1,402)
End of the period	3,503	3,635

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15 Cash and cash equivalents

	30 June 2021 (unaudited) £000	31 December 2020 (audited) £000
Own funds	213,580	140,780
Own funds - restricted	48,504	37,752
Fiduciary funds	476,237	407,105
	738,321	585,637

Restricted own funds comprise cash kept in segregated accounts pursuant to the FCA's Threshold Condition 2.4 applicable to the insurance broking industry. The amount of cash required to be held is determined by management and agreed by the FCA. At 31 December 2020 restricted funds also included £13.8m (£nil as at 30 June 2021) 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.

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.

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16 Trade and other receivables

	30 June 2021 (unaudited) £000	31 December 2020 (audited) £000
Trade receivables	177,107	140,680
Less: expected credit loss allowance	(9,834)	(9,512)
Trade receivables - net	167,273	131,168
Prepayments	28,265	19,848
Accrued income	20,556	14,992
Other receivables	56,957	43,957
Other debtors	31,422	29,777
Related party debtors	1,584	1,413
Deferred and contingent consideration receivable	1,454	2,346
	307,511	243,501
Current	271,477	219,318
Non-current	36,034	24,183
	307,511	243,501

As at 30 June 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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17 Cash generated from operations

	Six months ended 30 June 2021 (unaudited) £000	Six months ended 30 June 2020 (unaudited) £000
Cash flows from operating activities		
Loss for the period after tax	(41,313)	(94,076)
Depreciation of property, plant and equipment and right-of-use assets	9,496	9,058
Amortisation	46,372	35,161
Profit on disposal and impairment of non-financial assets	(34)	(444)
Gain on revaluation of associate	(1,459)	-
Other (gains)/losses	(3,862)	19
Transaction costs on completed and aborted acquisitions accrued in the period	10,568	521
Transaction costs on completed and aborted acquisitions paid in the period	(8,169)	(116)
Finance costs - net of finance income	103,228	132,800
Investment income	(27)	(730)
Share of profit from associate and joint venture	(602)	(1,049)
Tax credit	(4,248)	(959)
Fair value loss/(gain) on derivatives	20	(27)
Recycling to income statement from cash flow hedging reserve on revenue hedges	(2,235)	181
Decrease/(increase) in trade and other receivables	20,573	(3,858)
(Decrease)/increase in trade and other payables	(31,116)	31,236
Increase in contract assets	(1,118)	(587)
Increase in other assets	(2,156)	(3,513)
Increase in contract liabilities	1,850	3,801
Effect of movements in exchange rates on cash held	4,692	(9,128)
Decrease in provisions	(18,323)	(18,735)
Net cash inflow from operations	82,137	79,555

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18 Financial instruments

Fair value measurement

Financial assets and liabilities measured at fair value in the interim condensed consolidated financial statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly as prices, or indirectly derived from prices; and
- Level 3: unobservable inputs for the asset or liability.

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

30 June 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	-	-	41,657	41,657
Contingent consideration receivable	-	-	1,309	1,309
Derivatives hedging forecast revenue	-	2,939	-	2,939
Financial assets at fair value through other comprehensive income				
Unlisted investments	-	-	289	289
Total financial assets at fair value	-	2,939	43,269	46,208
Contingent consideration payable	-	-	(30,960)	(30,960)
Share buy-out	-	-	(53,330)	(53,330)
Derivatives hedging forecast revenue	-	(1,803)	-	(1,803)
Derivatives hedging borrowings	-	(56,927)	-	(56,927)
Total financial liabilities at fair value	-	(58,730)	(84,290)	(143,020)
Net fair value	-	(55,791)	(41,021)	(96,812)

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18 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 receivable	-	-	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 £1.3m (31 December 2020: £2.1m) 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 30 June 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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18 Financial instruments (continued)

Contingent consideration, share buyout and deferred proceeds (Level 3)

The 30 June 2021 contingent consideration includes amounts arising from the acquisitions in 2021 of Headley Holdings Limited, Hera Indemnity Limited, Marmalade Limited and Drayton Ins. Limited, in 2020 of Nevada 4 Midco 1 Limited and, Thames Underwriting Limited, a number of individually immaterial businesses, and from the acquisition in 2019 of an associate interest in Sino Insurance Brokers Limited, as well as from a number of other acquisitions that are individually not material. The 30 June 2021 share buyout liability arises from the acquisitions in 2021 of the business and assets of Hemsley Wynne Furlonge LLP, in 2020 of Lloyd Latchford Group Limited and Nevada 4 Midco 1 Limited, as well as from the acquisition of another acquisition that is individually not material, and from the acquisition in 2021 of the business and assets of Hemsley Wynne Furlonge LLP. The 30 June 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 discounted present value of the forecast option strike price, where the discount rate is the Group WACC if the strike price is a multiple of forecast EBITDA less net debt.

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 21.

Reconciliation of recurring fair value measurements within level 3

	Financial liabilities at FVTPL £000	Financial assets at FVTPL £000	Financial assets at FVTOCI £000	Total £000
30 June 2021 (unaudited)				
Start of the period	(21,114)	30,728	285	9,899
Gains and losses	2,959	7,395	-	10,354
Additions	(18,591)	12,560	-	(6,031)
Business combinations	(55,895)	298	4	(55,593)
Settlements	8,351	(8,117)	-	234
Movement to reserves	-	116	-	116
End of the period	(84,290)	42,980	289	(41,021)

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19 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 30 June 2021:

	30 June 2021 (unaudited) £000	31 December 2020 (audited) £000
Non-current assets		
Derivatives hedging forecast revenue	509	446
Derivatives hedging borrowings	-	-
Current assets		
Derivatives hedging forecast revenue	2,430	3,098
Derivatives hedging borrowings	-	-
Current liabilities		
Derivatives hedging forecast revenue	(475)	-
Derivatives hedging borrowings	(553)	(508)
Non-current liabilities		
Derivatives hedging forecast revenue	(1,328)	-
Derivatives hedging borrowings	(56,374)	(50,735)
Net derivative financial instrument liabilities	(55,791)	(47,699)

See note 18 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 21). 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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19 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:

Six months ended 30 June 2021	Cash flow hedging reserve £000	Costs of hedging reserve £000
Start of period	(2,446)	(3,218)
Changes in fair value recognised via other comprehensive income		
Foreign currency risk - derivatives hedging forecast revenue	(546)	-
Foreign currency risk - derivatives hedging borrowings	(7,477)	1,416
Interest rate risk – derivatives hedging borrowings	(50)	(55)
Amounts reclassified to profit or loss		
Foreign currency risk - derivatives hedging forecast revenue	(2,235)	-
Foreign currency risk - derivatives hedging borrowings	6,991	559
Interest rate risk – derivatives hedging borrowings	325	159
	(2,992)	2,079
Tax on movements on reserves	568	(395)
End of period (unaudited)	(4,870)	(1,534)

The gain/(loss) included in the interim condensed consolidated statement of profit or loss and other comprehensive income during the six months ended 30 June 2021 in relation to items designated as hedging instruments, including hedge ineffectiveness, were as follows:

	Derivatives hedging foreign currency Forecast revenue £000	Derivatives hedging foreign currency Borrowings £000	Derivatives hedging interest rate risk Borrowings £000
Amounts reclassified from OCI to profit or loss			
Commission and fees	2,235	-	-
Finance costs - interest expense and foreign exchange differences	-	(6,991)	(325)
Finance costs - cost of hedging	-	(559)	(159)
Amounts recognised directly in profit or loss			
Other operating costs – foreign exchange differences	(20)	-	-
Other operating costs - ineffectiveness	(75)	-	-
End of period (unaudited)	2,140	(7,550)	(484)

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.

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20 Trade and other payables

	30 June 2021 (unaudited) £000	31 December 2020 (audited) £000
Insurance creditors	522,118	433,928
Social security and other taxes	10,664	10,878
Other creditors	39,797	37,692
Contingent and deferred consideration payable	20,637	14,819
Share buyout	8,906	13,530
Share-based payment liabilities	2,036	4,123
Loan notes*	6,278	-
Deferred income	363	365
Accruals	65,924	79,359
Total current liabilities	676,723	594,694
Contingent and deferred consideration payable	18,662	6,295
Share buyout	44,424	2,753
Share-based payment liabilities	-	685
Loan notes*	10,256	-
Other creditors	6,614	7,634
Total non-current liabilities	79,956	17,367

*On 11 June 2021, the Group purchased 3,262,071 Atlanta A shares in Atlanta Investment Holdings 3 Limited from minority shareholders, the consideration for which was 10,590,693 TAGL ordinary shares with a fair value of £22,280,701 and £15,999,999 of loan notes (which included pre-funded interest of £534,794) such that the gross carrying amount of the debt on issue date is £16,534,793. The loan notes are redeemable over three years to 31 July 2023.

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21 Borrowings

	30 June 2021 (unaudited) £000	31 December 2020 (audited) £000
Interest payable	53,426	46,909
Other borrowings	1,456	-
Total current borrowings	54,882	46,909
Interest payable	38,936	38,164
Term facilities due 2026	1,510,733	1,495,003
USD 500.0m PIK toggle notes due 2027	366,049	348,125
GBP 300.0m CAR facility due 2026	292,096	41,061
Other borrowings	5,621	-
Total non-current borrowings	2,213,435	1,922,353

In addition to the borrowings in the table above the Group issued £16.0m of loan notes (see note 11) that are presented as loan notes in trade and other payables (see note 20).

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

Date issued	Currency	Nominal interest rate*	Year of Maturity	30 June 2021			31 December 2020	
				Face value	Face value including PIK interest	Carrying amount	Face value	Carrying amount
14.07.2020	GBP	7.500%	2026	1,412,838	1,428,996	1,361,916	1,412,838	1,342,120
14.07.2020	EUR	7.500%	2026	180,000	182,087	148,817	180,000	152,883
14.07.2020	USD	11.500%	2027	500,000	532,052	366,049	500,000	348,125
22.10.2020	GBP	7.500%	2026	300,000	300,566	292,096	50,000	41,061
Total						2,168,878		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 19.

The fair value of the Term facilities due 2026 and USD 500.0m PIK toggle notes due 2027 as at 30 June 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	1,361,916	1,525,865
EUR 180.0m Term facility due 2026	148,817	166,672
USD 500.0m PIK toggle notes	366,049	392,323
GBP 300.0m CAR facility due 2026	292,096	324,000
Notes at 30 June 2021	2,168,878	2,408,860

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22 Provisions

The Group held the following provisions as at 30 June 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	3,680	414	141	794
Transferred to other debtors/creditors	-	-	-	-
Business combinations	-	-	-	-
Utilised during the period	(20,452)	(832)	(1,027)	(673)
Unused amounts reversed during the period	(10)	-	(225)	(82)
Unwind of discount	-	-	-	-
Foreign exchange movements	-	-	(1)	-
End of the period	2,143	353	243	3,059

	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	451	665	32	538	6,715
Transferred to other debtors/creditors	(43)	-	-	(45)	(88)
Business combinations	-	340	-	-	340
Utilised during the period	-	(1,107)	(56)	(306)	(24,453)
Unused amounts reversed during the period	-	(34)	-	(148)	(499)
Unwind of discount	-	9	-	-	9
Foreign exchange movements	-	(3)	-	(3)	(7)
End of the period	6,984	10,082	123	1,252	24,239

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.

	30 June 2021 (unaudited) £000	31 December 2020 (audited) £000
Analysis of total provisions		
Non-current - to be utilised in more than one year	14,660	13,863
Current - to be utilised within one year	9,579	28,359
	24,239	42,222

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22 Provisions *(continued)*

Enhanced Transfer Values (“ETV”) provision

As reported previously, certain subsidiaries within the Group have obligations to make redress payments in respect of past pension transfer advice. The provision at 30 June 2021 is £2.1m. The redress programme is nearing conclusion and although some uncertainties impacting the provisioning assumptions remain these are not considered to be material.

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.

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23 Share capital and premium

	Number of shares authorised (thousands)	Number of shares issued (thousands)	Ordinary shares £000	Share premium £000	Total £000
At 1 January 2021	1,950,000	859,261	8,593	991,771	1,000,364
At 30 June 2021	1,950,000	880,615	8,806	1,030,262	1,039,068
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.

On 19 April 2021, the Group purchased 2,549,381 of the 5,098,762 B ordinary shares and 15,000,000 of the 20,000,000 A ordinary shares of Nevada 5 Midco 2 Limited from minority shareholders in exchange for 1,066,270 new TAGL B ordinary shares with a fair value of £2,243,455 (€2,606,581) and 6,273,699 TAGL ordinary shares with a fair value of £13,200,000 (€15,336,552).

On 11 June 2021, the Group purchased 3,262,071 Atlanta A shares in Atlanta Investment Holdings 3 Limited from minority shareholders, the consideration for which was 10,590,693 TAGL ordinary shares with a fair value of £22,280,701 and £15,999,999 of loan notes (which included pre-funded interest of £534,794) such that the gross carrying amount of the debt on issue date is £16,534,793. The loan notes are redeemable over three years to 31 July 2023.

24 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.

FINANCIAL STATEMENTS

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25 Subsequent events

The Group completed the following acquisitions after the reporting period:

- On 2 July 2021, the Group purchased Brian J Pierce Limited. The consideration paid was €15.5m cash.
- Other individually not material businesses, the aggregate consideration for which was USD4.1m and AUD3.5m cash, deferred consideration with a fair value of AUD3m, and contingent consideration with a fair value of USD3.7m.

The Group has exchanged contracts on 26 May 2021 but not yet completed the purchase of Ed Broking Group Limited and Besso Insurance Group Limited, for which the consideration paid is to be USD500.0m cash. The Group has also exchanged contracts but not yet completed the purchase of a number of other businesses, including Usay Group Limited (exchanged contracts on 10 May 2021), Hooper Dolan companies (exchanged contracts on 29 June 2021) and other individually not material businesses.

On 20 July 2021, the Group granted a convertible loan facility on arm's length commercial terms of £55.2m to a related party of the Group to fund a business combination to be made by that related party. The related party drew down £35.6m of the facility on the same date. On 29 July 2021, the entity acquired by that related party was granted an extension on a separate additional £15.0m loan payable to the Group. The loan was repayable to the Group in August 2021 and extended on the same terms until October 2021.

During August, the Group's existing shareholders subscribed to preference shares of £350.0m.

On 17 August, an additional Capex, Acquisition and Re-organisation facility (CAR upside) of circa £550.0m (drawable in sterling, euros or USD) was agreed with the lenders of the Group's privately placed term loan facility due 2026.

SECTION 3

OTHER UNAUDITED FINANCIAL INFORMATION

**FOR THE SIX MONTHS
ENDED 30 JUNE 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 SIX MONTHS ENDED 30 JUNE 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	422,260	-	18,110	-	440,370
Other income	10,043	-	391	-	10,434
Investment income	27	-	-	-	27
Salaries and associated costs	(197,202)	-	(8,554)	-	(205,756)
Other operating costs	(119,174)	-	2,022	-	(117,152)
Impairment of financial assets	(4,447)	-	(290)	-	(4,737)
Depreciation, amortisation and impairment of non-financial assets	(55,901)	-	(1,630)	-	(57,531)
Share of profit from joint venture	545	-	-	-	545
Share of profit from associate	57	-	-	-	57
Operating profit	56,208	-	10,049	-	66,257
Gain on revaluation of associate	1,459	-	(1,459)	-	-
Finance costs	(104,118)	-	(319)	(1,654)	(106,091)
Finance income	890	387	14	-	1,291
Loss before tax	(45,561)	387	8,285	(1,654)	(38,543)
Tax credit	4,248	-	379	-	4,627
Loss for the period	(41,313)	387	8,664	(1,654)	(33,916)

OTHER UNAUDITED FINANCIAL INFORMATION

RECONCILIATION OF REPORTED RESULTS TO PRO FORMA FOR COMPLETED TRANSACTIONS RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 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	315,148	(1,004)	109,133	-	423,277
Other income	8,494	-	1,444	-	9,938
Investment income	730	-	4	-	734
Salaries and associated costs	(149,912)	414	(55,240)	-	(204,738)
Other operating costs	(89,785)	64	(26,812)	2,447	(114,086)
Impairment of financial assets	(4,253)	-	(148)	-	(4,401)
Depreciation, amortisation and impairment of non-financial assets	(44,149)	-	(12,348)	-	(56,497)
Fair value gain on de-designated cross currency derivatives	281	-	-	-	281
Share of profit from joint venture	787	-	-	-	787
Share of profit from associate	262	-	(262)	-	-
Operating profit	37,603	(526)	15,771	2,447	55,295
Gain on disposal of business	162	-	-	-	162
Finance costs	(133,263)	-	(408)	26,837	(106,834)
Finance income	463	-	566	-	1,029
Loss before tax	(95,035)	(526)	15,929	29,284	(50,348)
Tax credit	959	-	8,405	-	9,364
Loss for the period	(94,076)	(526)	24,334	29,284	(40,984)

OTHER UNAUDITED FINANCIAL INFORMATION

RECONCILIATION OF LOSS FOR THE PERIOD TO ADJUSTED EBITDA FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Reported		Pro Forma for Completed Transactions	
	2021 £000	2020 £000	2021 £000	2020 £000
Loss for the period	(41,313)	(94,076)	(33,916)	(40,984)
<i>Eliminate:</i>				
<u>Items excluded from EBITDA</u>				
Finance costs	104,118	133,263	106,091	106,834
Tax credit	(4,248)	(959)	(4,627)	(9,364)
Depreciation, amortisation and impairment of non-financial assets	55,901	44,149	57,531	56,497
Fair value gain on de-designated cross currency derivatives	-	(281)	-	(281)
Gain from disposal of non-financial assets	(67)	(374)	(63)	(397)
Foreign exchange movements	815	(794)	852	(907)
EBITDA	115,206	80,928	125,868	111,398
<i>Eliminate:</i>				
<u>Items excluded from Adjusted EBITDA</u>				
Transformational hires	1,953	1,786	1,751	2,855
Business transformation costs	13,698	9,097	13,768	10,382
Legacy costs	(726)	836	(726)	836
Other costs	5,683	3,306	5,630	3,851
Regulatory costs	4,411	415	4,411	415
Acquisition and financing costs	14,512	3,724	7,205	6,940
Gain on disposal of business	-	(162)	-	(162)
Gain on revaluation of associate	(1,459)	-	-	-
Adjusted EBITDA	153,278	99,930	157,907	136,515

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).