

**THE ARDONAGH GROUP LIMITED**

**APPENDICES TO INVESTOR PRESENTATION**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

## EXTRACTS FROM THE UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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Last weekend the FCA and the FRC requested UK listed companies to observe a two week moratorium on corporate reporting given recent unprecedented events. Following discussion with our auditors, and our understanding of the approach of the auditing profession more broadly, we have agreed to observe this moratorium in respect of the audited financial statements, recognising the importance that businesses generally, including our own, take appropriate time to assess the rapidly evolving situation and the related disclosures in financial statements.

We will reschedule the release of the audited financial statements when the position becomes clearer and further guidance is received from the FCA and FRC. In the meantime, we have released these unaudited financial statements extracts as we believe they will be helpful to our stakeholders and underpin the statements outlined in the Investor Presentation. The information does not include all the notes and other disclosures required for the audited annual statutory report and accounts, including those for subsequent event disclosures related to coronavirus/Covid-19.

The unaudited financial statements extracts comprise the consolidated results of the Company and its subsidiaries (the Group) as in the previous quarter's results and have been prepared using the same accounting policies, which are also consistent with those of the previous financial year with the exception of IFRS 16 effective from 1 January 2019.

## DISCLAIMER

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

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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) and are subject to change without notice. The financial results in this document includes 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.

## UNAUDITED FINANCIAL STATEMENTS EXTRACTS

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Year ended 31 December 2019 £000	Restated* Year ended 31 December 2018 £000
Commission and fees	640,662	521,901
Other income	22,168	2,572
Investment income	2,657	2,106
Salaries and associated costs	(321,556)	(291,372)
Other operating costs	(231,655)	(211,211)
Impairment of financial assets	(14,465)	(5,061)
Depreciation, amortisation and impairment of non-financial assets	(95,713)	(71,284)
Adjustment to goodwill in respect of prior years	-	(3,095)
Fair value (loss)/gain on derivatives	(604)	2,485
Share of profit from joint venture	1,680	1,777
Share of profit from associate	217	-
<b>Operating profit/(loss)</b>	<b>3,391</b>	<b>(51,182)</b>
Adjustment to gain/gain on disposal of associate	1,750	7,482
Gain on disposal of business	2,244	19
Finance costs	(113,606)	(94,655)
Finance income	2,003	533
<b>Loss before tax</b>	<b>(104,218)</b>	<b>(137,803)</b>
Tax credit	30,216	35,109
<b>Loss for the year</b>	<b>(74,002)</b>	<b>(102,694)</b>
<b>Attributable to:</b>		
Owners of the parent	(77,826)	(106,751)
Non-controlling interests	3,824	4,057
<b>Loss for the year</b>	<b>(74,002)</b>	<b>(102,694)</b>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	318	-
Change in costs of hedging reserve	(2,153)	1,261
Change in cash flow hedging reserve	11,493	2,521
Income tax relating to these items	(1,588)	(1,159)
<b>Other comprehensive income for the year</b>	<b>8,070</b>	<b>2,623</b>
<b>Total comprehensive loss for the year</b>	<b>(65,932)</b>	<b>(100,071)</b>
<b>Attributable to:</b>		
Owners of the parent	(69,756)	(104,128)
Non-controlling interests	3,824	4,057
<b>Total comprehensive loss for the year</b>	<b>(65,932)</b>	<b>(100,071)</b>

\* The Group has recognised a deferred tax asset in its consolidated financial statements in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. A deferred tax asset is recognised on the basis that future taxable profits will arise in the consolidated financial statements as a result of the unwind of the deferred tax liability that was already included in those financial statements in relation to intangible assets recognised on a business combination. The adjustment increases deferred tax assets and decreases retained losses in the statement of financial position by £32.4m as at 31 December 2018 (1 January 2018: £23.5m), and it increases the tax credit in the income statement for the year ended 31 December 2018 by £8.9m.

## UNAUDITED FINANCIAL STATEMENTS EXTRACTS

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	31 December 2019 £000	Restated* 31 December 2018 £000	Restated* 1 January 2018 £000
<b>Non-current assets</b>			
Intangible assets	1,112,194	1,095,203	1,102,781
Property, plant and equipment	26,168	37,008	31,690
Right-of-use assets	36,209	-	-
Investment in associates and joint ventures	7,420	3,340	8,119
Financial assets at fair value through other comprehensive income	271	271	268
Trade and other receivables	15,756	17,500	-
Contract assets	1,708	2,279	1,130
Other assets	9,037	3,706	9,579
Deferred tax asset	22,685	-	-
Derivatives	1,709	1,549	1,270
	<b>1,233,157</b>	<b>1,160,856</b>	<b>1,154,837</b>
<b>Current assets</b>			
Cash and cash equivalents	410,903	504,956	332,916
Trade and other receivables	155,575	255,216	104,613
Derivatives	4,532	2,929	-
Contract assets	9,801	10,315	13,938
Other assets	19,098	16,266	5,091
Financial assets at fair value through profit or loss	36	42	37
Current tax asset	-	565	930
Assets held for sale	3,735	26,753	-
	<b>603,680</b>	<b>817,042</b>	<b>457,525</b>
<b>Current liabilities</b>			
Trade and other payables	(428,287)	(517,442)	(332,729)
Borrowings	(44,149)	(39,895)	(71,286)
Lease liabilities	(10,084)	-	-
Premium financing liabilities	(4,341)	(72,072)	-
Derivatives	(1,970)	(3,529)	(3,743)
Contract liabilities	(26,829)	(15,400)	(11,973)
Provisions	(60,651)	(55,361)	(33,020)
Current tax liability	(130)	-	-
Liabilities held for sale	(1,754)	(1,976)	-
	<b>(578,195)</b>	<b>(705,675)</b>	<b>(452,751)</b>
<b>Net current assets</b>	<b>25,485</b>	<b>111,367</b>	<b>4,774</b>
<b>Non-current liabilities</b>			
Trade and other payables	(11,156)	(21,423)	(854)
Borrowings	(1,091,689)	(1,104,457)	(825,070)
Lease liabilities	(33,021)	-	-
Derivatives	(19,730)	(9,603)	(37,182)
Deferred tax liability	-	(1,018)	(36,328)
Contract liabilities	(1,471)	(2,425)	(3,743)
Provisions	(14,457)	(31,740)	(44,317)
	<b>(1,171,524)</b>	<b>(1,170,666)</b>	<b>(947,494)</b>
<b>Net assets</b>	<b>87,118</b>	<b>101,557</b>	<b>212,117</b>

## UNAUDITED FINANCIAL STATEMENTS EXTRACTS

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	<b>31 December 2019</b>	Restated* 31 December 2018	Restated* 1 January 2018
	<b>£000</b>	£000	£000
<b>Capital and reserves attributable to the Group's shareholders</b>			
Share capital	<b>7,331</b>	6,826	6,826
Share premium	<b>740,886</b>	674,391	674,391
Retained losses**	<b>(649,006)</b>	(571,495)	(464,969)
Hedging reserves	<b>1,806</b>	(5,946)	(8,456)
Non-controlling interest reserve	<b>(7,377)</b>	(2,495)	(6,533)
Treasury share reserve**	<b>(11,015)</b>	(102)	-
Foreign currency translation reserve	<b>304</b>	(14)	(14)
Shareholders' equity	<b>82,929</b>	101,165	201,245
Non-controlling interest	<b>4,189</b>	392	10,872
<b>Total equity</b>	<b>87,118</b>	101,557	212,117

\* The Group has recognised a deferred tax asset in its consolidated financial statements in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. A deferred tax asset is recognised on the basis that future taxable profits will arise in the consolidated financial statements as a result of the unwind of the deferred tax liability that was already included in those financial statements in relation to intangible assets recognised on a business combination. The adjustment increases deferred tax assets and decreases retained losses in the statement of financial position by £32.4m as at 31 December 2018 (1 January 2018: £23.5m), and it increases the tax credit in the income statement for the year ended 31 December 2018 by £8.9m.

\*\* The Group subsumed its share-based payment reserve, which was previously presented separately, within retained losses. The amount subsumed was £0.2m at 31 December 2018. The Company also reclassified amounts that relate to the purchase of own shares from retained losses to a treasury shares reserve. The amount of the reclassification is £0.1m at 31 December 2018.

## UNAUDITED FINANCIAL STATEMENTS EXTRACTS

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
<b>Cash flows from operating activities</b>		
Net cash inflow from operations	98,419	68,818
Interest paid	(2)	(40)
Interest received	2,003	516
Investment income	2,657	2,106
Income from joint venture	1,400	1,200
Tax received/(paid)	1,090	(528)
Settlement of forward contracts	(3,484)	(691)
<b>Net cash inflow from operating activities</b>	<b>102,083</b>	<b>71,381</b>
<b>Cash flows from investing activities</b>		
Acquisition of businesses net of cash acquired	8,827	(143,388)
Purchase of property, plant and equipment	(4,687)	(2,373)
Receipt from sale of property, plant and equipment	3,003	-
Purchase of intangible fixed assets	(13,284)	(19,735)
Purchase of shares in an associate	(1,483)	-
Disposal of associate	-	52,828
Disposal of business	28,699	(6,997)
Contingent consideration received	673	12,400
Contingent consideration paid	(1,712)	(7,310)
Lease incentives received	1,566	-
Repayment of lease receivable	519	-
<b>Net cash inflow/(outflow) from investing activities</b>	<b>22,121</b>	<b>(114,575)</b>
<b>Cash flows from financing activities</b>		
Proceeds from new loan notes	-	261,256
Proceeds from borrowings	-	15,000
Repayment of borrowings	-	(45,000)
Interest paid on borrowings	(95,242)	(79,038)
Net (repayments)/proceeds from premium financing	(67,731)	72,072
Debt transaction costs	(7,012)	(6,406)
Sundry loans issued	(8,347)	-
Interest paid on lease liabilities	(6,256)	-
Repayment of lease liabilities (2018: Finance lease liabilities)	(9,819)	(44)
Transactions with non-controlling interests	(4,304)	(4,518)
Settlement of shareholder loan notes	(4,589)	(4,867)
Purchase of own shares	(9,514)	(116)
<b>Net cash outflow from financing activities</b>	<b>(212,814)</b>	<b>208,339</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(88,610)</b>	<b>165,145</b>
Cash and cash equivalents at the beginning of the year	504,956	332,916
Effect of movements in exchange rates on cash held	(5,443)	6,895
<b>Cash and cash equivalents at the end of the year</b>	<b>410,903</b>	<b>504,956</b>

## UNAUDITED FINANCIAL STATEMENTS EXTRACTS

### NOTES TO THE FINANCIAL STATEMENTS

#### Segmental analysis

Under IFRS 8 'Operating Segments', the Group determines and presents operating segments based on the information that is provided to the Group Executive Committee, which is the Group's chief operating decision maker. Segments are reviewed and revised as necessary following structural changes within the Group or acquisitions of new companies.

The Group Executive Committee assesses the performance of the segments based on various income statement measures. The Group Executive Committee assesses the financial position of the Group on a consolidated Group basis and therefore does not regularly receive measures of total assets or total liabilities on an operating segment basis. Accordingly, no financial position measures are reported within the Group's operating segment disclosures.

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

Of the Total Income disclosed in the consolidated income statement, £100m is attributable to sales made outside the UK.

Commissions and fees represent the Group's revenue from contracts with customers, which is recognised in accordance with IFRS 15. The Group's operating segments reflect its disaggregation of revenue.

#### Part (a)

Year ended 31 December 2019	Ardonagh Retail £000	Ardonagh Advisory £000	Ardonagh Specialty £000	Corporate £000	Total £000
Commission and fees	274,692	222,856	139,814	3,300	640,662
Other income	19,217	(40)	172	2,819	22,168
Investment income	30	10	1,617	1,000	2,657
Salaries and associated costs	(97,558)	(110,237)	(87,211)	(26,550)	(321,556)
Other operating costs	(106,857)	(57,074)	(37,421)	(30,303)	(231,655)
Impairment of financial assets	(10,593)	(557)	(3,315)	-	(14,465)
Depreciation, amortisation and impairment of non-financial assets	(47,479)	(23,602)	(19,592)	(5,040)	(95,713)
Fair value loss on derivatives	-	-	-	(604)	(604)
Share of profit from joint venture	1,680	-	-	-	1,680
Share of profit from associate	-	-	217	-	217
<b>Operating profit/(loss)</b>	<b>33,132</b>	<b>31,356</b>	<b>(5,719)</b>	<b>(55,378)</b>	<b>3,391</b>
Adjustment to gain on disposal of associate	-	-	-	1,750	1,750
Gain on disposal of business	-	-	2,244	-	2,244
Finance costs	(4,813)	(2,050)	(1,717)	(105,026)	(113,606)
Finance income	303	39	900	761	2,003
<b>Profit/(loss) before tax</b>	<b>28,622</b>	<b>29,345</b>	<b>(4,292)</b>	<b>(157,893)</b>	<b>(104,218)</b>
Tax (charge)/credit	(4,573)	1,766	(6,131)	39,154	30,216
<b>Profit/(loss) for the year</b>	<b>24,049</b>	<b>31,111</b>	<b>(10,423)</b>	<b>(118,739)</b>	<b>(74,002)</b>

Ardonagh Retail is made up of the Retail, Schemes and Programmes and Paymentsfield operating segments (see part (b) of this note). Ardonagh Advisory consists of the Insurance Broking operating segment only. Ardonagh Specialty is made up of the Specialty and International and MGA operating segments (see part (c) of this note).



## UNAUDITED FINANCIAL STATEMENTS EXTRACTS

### NOTES TO THE FINANCIAL STATEMENTS

#### Segmental analysis (continued)

Year ended 31 December 2018 Restated	Ardonagh Retail £000	Ardonagh Advisory £000	Ardonagh Specialty £000	Corporate £000	Total £000
Commission and fees	169,702	202,227	145,292	4,680	521,901
Other income	2,259	-	-	313	2,572
Investment income	24	-	1,420	662	2,106
Salaries and associated costs	(64,066)	(118,493)	(105,774)	(3,039)	(291,372)
Other operating costs	(68,025)	(51,964)	(48,508)	(42,714)	(211,211)
Impairment of financial assets	(2,920)	(556)	(1,585)	-	(5,061)
Depreciation, amortisation and impairment of non-financial assets	(36,104)	(11,905)	(18,844)	(4,431)	(71,284)
Adjustment to goodwill in respect of prior years	(2,633)	(462)	-	-	(3,095)
Fair value gain on derivatives	-	-	-	2,485	2,485
Share of profit from joint venture	1,777	-	-	-	1,777
Operating profit/(loss)	14	18,847	(27,999)	(42,044)	(51,182)
Gain on disposal of associate	-	-	-	7,482	7,482
Gain on disposal of business	19	-	-	-	19
Finance costs	(13)	(2)	(328)	(94,312)	(94,655)
Finance income	12	-	262	259	533
Profit/(loss) before tax	32	18,845	(28,065)	(128,615)	(137,803)
Tax credit	3,283	2,684	8,658	20,484	35,109
Profit/(loss) for the year	3,315	21,529	(19,407)	(108,131)	(102,694)

Ardonagh Retail is made up of the Retail, Schemes and Programmes and Paymentsshield operating segments (see part (b) of this note). Ardonagh Advisory consists of the Insurance Broking operating segment only. Ardonagh Specialty is made up of the Specialty and International and MGA operating segments (see part (c) of this note).

# UNAUDITED FINANCIAL STATEMENTS EXTRACTS

## NOTES TO THE FINANCIAL STATEMENTS

### Segmental analysis (continued)

#### Part (b) – Ardonagh Retail

Year ended 31 December 2019	Retail £000	Schemes and Programmes £000	Payment- shield £000	Total £000
Commission and fees	194,277	37,292	43,123	274,692
Other income	18,778	439	-	19,217
Investment income	30	-	-	30
Salaries and associated costs	(71,713)	(16,694)	(9,151)	(97,558)
Other operating costs	(83,356)	(16,479)	(7,022)	(106,857)
Impairment of financial assets	(10,512)	(29)	(52)	(10,593)
Depreciation, amortisation and impairment of non-financial assets	(23,956)	(16,026)	(7,497)	(47,479)
Share of profit from joint venture	1,680	-	-	1,680
<b>Operating profit/(loss)</b>	<b>25,228</b>	<b>(11,497)</b>	<b>19,401</b>	<b>33,132</b>
Finance costs	(4,213)	(363)	(237)	(4,813)
Finance income	282	21	-	303
Profit/(loss) before tax	21,297	(11,839)	19,164	28,622
<b>Tax charge</b>	<b>(1,550)</b>	<b>(205)</b>	<b>(2,818)</b>	<b>(4,573)</b>
Profit/(loss) for the year	19,747	(12,044)	16,346	24,049

Year ended 31 December 2018 Restated	Retail £000	Schemes and Programmes £000	Payment- shield £000	Total £000
Commission and fees	76,487	51,442	41,773	169,702
Other income	2,077	182	-	2,259
Investment income	24	-	-	24
Salaries and associated costs	(27,115)	(26,220)	(10,731)	(64,066)
Other operating costs	(32,073)	(30,857)	(5,095)	(68,025)
Impairment of financial assets	(2,765)	(97)	(58)	(2,920)
Depreciation, amortisation and impairment of non-financial assets	(10,660)	(17,891)	(7,553)	(36,104)
Adjustment to goodwill in respect of prior years	-	(2,633)	-	(2,633)
Share of profit from joint venture	1,777	-	-	1,777
Operating profit/(loss)	7,752	(26,074)	18,336	14
Gain on disposal of business	-	19	-	19
Finance costs	-	(10)	(3)	(13)
Finance income	11	1	-	12
Profit/(loss) before tax	7,763	(26,064)	18,333	32
Tax credit/(charge)	377	5,527	(2,621)	3,283
Profit/(loss) for the year	8,140	(20,537)	15,712	3,315

## UNAUDITED FINANCIAL STATEMENTS EXTRACTS

### NOTES TO THE FINANCIAL STATEMENTS

#### Segmental analysis (continued)

##### Part (c) – Ardonagh Specialty

Year ended 31 December 2019	Specialty and International £000	MGA £000	Total £000
Commission and fees	103,899	35,915	139,814
Other income	-	172	172
Investment income	1,616	1	1,617
Salaries and associated costs	(67,666)	(19,545)	(87,211)
Other operating costs	(22,381)	(15,040)	(37,421)
Impairment of financial assets	(2,415)	(900)	(3,315)
Depreciation, amortisation and impairment of non-financial assets	(10,067)	(9,525)	(19,592)
Share of profit from associate	217	-	217
<b>Operating profit/(loss)</b>	<b>3,203</b>	<b>(8,922)</b>	<b>(5,719)</b>
Gain on disposal of business	-	2,244	2,244
Finance costs	(1,209)	(508)	(1,717)
Finance income	792	108	900
<b>Profit/(loss) before tax</b>	<b>2,786</b>	<b>(7,078)</b>	<b>(4,292)</b>
Tax (charge)/credit	(6,358)	227	(6,131)
<b>Loss for the year</b>	<b>(3,572)</b>	<b>(6,851)</b>	<b>(10,423)</b>

Year ended 31 December 2018 Restated	Specialty and International £000	MGA £000	Total £000
Commission and fees	93,483	51,809	145,292
Investment income	1,420	-	1,420
Salaries and associated costs	(61,075)	(44,699)	(105,774)
Other operating costs	(29,824)	(18,684)	(48,508)
Impairment of financial assets	(782)	(803)	(1,585)
Depreciation, amortisation and impairment of non-financial assets	(7,219)	(11,625)	(18,844)
Operating loss	(3,997)	(24,002)	(27,999)
Finance costs	(327)	(1)	(328)
Finance income	262	-	262
Loss before tax	(4,062)	(24,003)	(28,065)
Tax credit	3,930	4,728	8,658
<b>Loss for the year</b>	<b>(132)</b>	<b>(19,275)</b>	<b>(19,407)</b>

## UNAUDITED FINANCIAL STATEMENTS EXTRACTS

### NOTES TO THE FINANCIAL STATEMENTS

#### Provisions

The Group held the following provisions as at 31 December 2019:

	ETV £000	Run off £000	LTIP £000	Litigation matters £000
At 1 January 2019	51,000	3,798	3,325	10,865
IFRS 16 transition adjustment	-	-	-	-
Reclassification	-	-	-	-
Additional provisions made during the year	12,500	955	1,239	4,161
Transferred in on acquisition	-	-	-	-
Transferred to other debtors/creditors	-	-	-	2,401
Utilised during the year	(15,928)	(2,484)	(4,173)	(8,067)
Unused amounts reversed during the year	-	-	(79)	(4,769)
Unwind of discount	-	-	-	-
At 31 December 2019	47,572	2,269	312	4,591

	Future renewal scheme £000	Property £000	Branch closure £000	Other £000	Total £000
At 1 January 2019	-	11,499	5,239	1,375	87,101
IFRS 16 transition adjustment	-	(2,374)	(998)	-	(3,372)
Reclassification	-	(362)	(1,209)	1,571	-
Additional provisions made during the year	-	4,139	2,003	7,759	32,756
Transferred in on acquisition	13,528	-	-	-	13,528
Transferred to other debtors/creditors	(5,864)	-	-	-	(3,463)
Utilised during the year	-	(937)	(2,785)	(8,188)	(42,562)
Unused amounts reversed during the year	(283)	(1,415)	(1,686)	(687)	(8,919)
Unwind of discount	-	39	-	-	39
At 31 December 2019	7,381	10,589	564	1,830	75,108

The Group discounts provisions to their present value, where appropriate. The unwinding of the provision discounting is included as an interest charge within finance costs in the income statement.

	31 December 2019 £000	31 December 2018 £000
<b>Analysis of total provisions</b>		
Non-current - to be utilised in more than one year	14,457	31,740
Current - to be utilised within one year	60,651	55,361
	<b>75,108</b>	<b>87,101</b>

#### Enhanced Transfer Values (ETV) and run off costs provision

The main redress programme commenced in the third quarter of 2019 and further progress has been made since 30 September 2019 with £25.0m having been paid at the date of signing this report, of which £15.9m was paid by 31 December 2019. Based on this settlement experience, additional case reviews progressing to settlement and input from specialists, the total redress cost estimate has been updated to £63.5m, resulting in a provision of £47.6m at 31 December 2019 after allowing for the payments already made at that date (£38.5m after allowing for payments at the time of preparing this extracted information). Management still expect the redress programme to be substantially complete by the end of 2020. Based on the progress made and reducing levels of estimation uncertainty, the Group now includes in its stress and sensitivity scenarios a deterioration of up to 15% (30 September 2019: 20%) in the estimated quantum of the ETV liabilities as well as a possible acceleration of the settlement profile.

## UNAUDITED FINANCIAL STATEMENTS EXTRACTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 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 enhanced forecasting gives the Group much greater 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 volatility in terms of timing and amounts. Any short-term funding gaps will be covered by utilising the Group's revolving credit facility (RCF).

During the year the Group generated positive cash inflow from operations, despite significant investment in finalising the Transformation and Swinton site closure and integration programmes. In addition, the Group benefitted from the Commercial MGA disposal on 1 January 2019. £31.5m was received of which £30.0m represented the initial consideration for the sale with an additional £1.0m of contingent consideration received in May 2019. This is primarily offset by interest payments of £95.2m, capital expenditure as part of the Transformation programme and payment of transaction costs in relation to the \$235m USD Notes issued in 2018.

The Group's RCF was amended and restated in September 2018 to include an additional £50.0m Letter of Credit ancillary facility. A letter of credit of £50.0m was issued in October 2018, for the benefit of specified entities within the Group, solely to provide credit support in respect of potential redress liabilities relating to the sale of certain enhanced transfer value (ETV) products. As at 31 December 2019, the Group's RCF facility was undrawn and available capacity was £120m. On 18 March 2020 the Group's RCF facility was extended to £170m, in line with the growth of the business, of which £70m was drawn. Permissible RCF drawings are limited by the Group's credit facility basket.

The GBP (£) and USD (\$) Senior Secured Notes are reflected in these consolidated financial statements on an amortised cost basis, and the USD Notes have been converted to GBP at the 31 December 2019 foreign exchange rate of 1.3187.

#### Gross secured debt

	Year ended 31 December 2019 £ million	Year ended 31 December 2018 £ million
£400.0m Notes	400.0	400.0
USD520.0m Notes	394.4	408.1
£55.0m Notes	55.0	55.0
£98.3m Notes	98.3	98.3
USD235.0m Notes	178.2	184.4
Adjustment to debt carrying	(34.2)	(43.7)
<b>Total gross secured debt</b>	<b>1,091.7</b>	<b>1,102.1</b>

#### Cash balances and available liquidity

Own funds	48.2	112.5
Own funds - restricted	23.1	32.9
Own funds - ETV	13.5	13.1
Fiduciary	326.1	346.4
<b>Total cash</b>	<b>410.9</b>	<b>505.0</b>
Less fiduciary and restricted (excluding ETV)	(349.2)	(379.3)
<b>Available cash</b>	<b>61.7</b>	<b>125.6</b>
RCF capacity	120.0	120.0
RCF availability	120.0	90.0
<b>Available liquidity</b>	<b>181.7</b>	<b>215.6</b>

Available liquidity defined as available cash plus available RCF.

## OTHER UNAUDITED FINANCIAL STATEMENTS INFORMATION

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### Cash generated from operations

	<b>31 December</b>	*Restated
	<b>2019</b>	31 December
<b>Cash flows from operating activities</b>	<b>£000</b>	<b>2018</b>
		<b>£000</b>
Loss for the year after tax	<b>(74,002)</b>	(102,694)
Depreciation of property, plant and equipment and right-of-use assets	<b>20,071</b>	7,763
Amortisation	<b>74,778</b>	66,616
Loss on disposal and impairment of property, plant and equipment, right of use assets and intangible assets	<b>7,658</b>	1,393
Other (gains)/losses	<b>(1,206)</b>	490
Adjustment to gain on disposal of associate	<b>(1,750)</b>	-
Gain on disposal of business	<b>(2,244)</b>	(3,770)
Transaction costs on completed and aborted acquisitions accrued in the year	<b>1,185</b>	3,649
Transaction costs on completed and aborted acquisitions paid in the year	<b>(5,705)</b>	(2,315)
Finance costs - net of finance income	<b>111,603</b>	94,122
Investment income	<b>(2,657)</b>	(2,106)
Share of profit from associate and joint venture	<b>(1,897)</b>	(1,777)
Tax credit	<b>(30,216)</b>	(35,109)
Fair value loss/(gain) on derivatives	<b>604</b>	(2,485)
Recycling to income statement from cash flow hedging reserve on forward contracts	<b>645</b>	(318)
Increase/(decrease) in trade and other receivables	<b>105,910</b>	(68,824)
(Decrease)/increase in trade and other payables	<b>(87,956)</b>	118,875
Decrease in contract assets	<b>1,084</b>	2,474
Increase in other assets	<b>(8,065)</b>	(1,777)
Increase in contract liabilities	<b>10,342</b>	2,108
Effect of movements in exchange rates on cash held	<b>5,443</b>	(6,895)
Decrease in provisions	<b>(25,206)</b>	(602)
<b>Net cash inflow from operations</b>	<b>98,419</b>	<b>68,818</b>

\* The Group has recognised a deferred tax asset in its consolidated financial statements in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. A deferred tax asset is recognised on the basis that future taxable profits will arise in the consolidated financial statements as a result of the unwind of the deferred tax liability that was already included in those financial statements in relation to intangible assets recognised on a business combination. The adjustment increases deferred tax assets and decreases retained losses in the statement of financial position by £32.4m as at 31 December 2018 (1 January 2018: £23.5m), and it increases the tax credit in the income statement for the year ended 31 December 2018 by £8.9m.

## OTHER UNAUDITED FINANCIAL STATEMENTS INFORMATION

### RECONCILIATIONS OF REPORTED RESULTS TO PRO FORMA FOR COMPLETED TRANSACTIONS RESULTS AND THE LOSS FOR THE YEAR TO EBITDA AND ADJUSTED EBITDA: YEAR ENDED 31 DECEMBER 2019

Year ended 31 December 2019	Ardonagh Group unaudited GAAP £000	Pro Forma disposal adjustments £000	Pro Forma acquisition adjustments £000	Pro Forma debt adjustments £000	Pro Forma Ardonagh Group £000
Commission and fees	640,662	-	977	-	641,639
Other income	22,168	-	-	-	22,168
Investment income	2,657	-	-	-	2,657
Salaries and associated costs	(321,556)	-	(641)	-	(322,197)
Other operating costs	(231,655)	-	1,037	-	(230,618)
Impairment of financial assets	(14,465)	-	-	-	(14,465)
Depreciation, amortisation and impairment of non-financial assets	(95,713)	-	(264)	-	(95,977)
Fair value loss on derivatives	(604)	-	-	-	(604)
Share of profit from joint venture	1,680	-	-	-	1,680
Share of profit from associate	217	-	-	-	217
<b>Operating profit</b>	<b>3,391</b>	<b>-</b>	<b>1,109</b>	<b>-</b>	<b>4,500</b>
Adjustment to gain on disposal of associate	1,750	(1,750)	-	-	-
Gain on disposal of business	2,244	(2,244)	-	-	-
Finance costs	(113,606)	-	-	-	(113,606)
Finance income	2,003	-	-	-	2,003
<b>(Loss)/profit before tax</b>	<b>(104,218)</b>	<b>(3,994)</b>	<b>1,109</b>	<b>-</b>	<b>(107,103)</b>
Tax credit	30,216	-	22	-	30,238
<b>(Loss)/profit for the year</b>	<b>(74,002)</b>	<b>(3,994)</b>	<b>1,131</b>	<b>-</b>	<b>(76,865)</b>
<b>Eliminate: Items excluded from EBITDA</b>					
Finance costs	113,606				113,606
Tax credit	(30,216)				(30,238)
Depreciation, amortisation and impairment of non-financial assets	95,713				95,977
Fair value loss on derivatives	604				604
Loss from disposal of assets	6,794				6,794
Foreign exchange movements	2,769				2,769
<b>EBITDA</b>	<b>115,268</b>				<b>112,647</b>
<b>Eliminate: Items excluded from Adjusted EBITDA</b>					
Transformational hires	6,047				6,047
Business transformation costs	39,455				39,455
Legacy and other costs	6,179				6,189
Regulatory costs	13,971				13,971
Acquisition and financing costs	6,498				5,167
Adjustment to gain on disposal of associate	(1,750)				-
Gain on disposal of business	(2,244)				-
<b>Adjusted EBITDA</b>	<b>183,424</b>				<b>183,476</b>

## OTHER UNAUDITED FINANCIAL STATEMENTS INFORMATION

### RECONCILIATIONS OF REPORTED RESULTS TO PRO FORMA FOR COMPLETED TRANSACTIONS RESULTS AND THE LOSS FOR THE YEAR TO EBITDA AND ADJUSTED EBITDA: YEAR ENDED 31 DECEMBER 2018

Year ended 31 December 2018	Ardonagh Group audited GAAP £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	521,901	(28,489)	164,876	-	658,288
Other income	2,572	-	(14)	-	2,558
Investment income	2,106	-	22	-	2,128
Salaries and associated costs	(291,372)	24,276	(61,368)	-	(328,464)
Other operating costs	(211,211)	6,997	(90,233)	-	(294,447)
Impairment of financial assets	(5,061)	60	(5,800)	-	(10,801)
Depreciation, amortisation and impairment of non-financial assets	(71,284)	5,660	(16,448)	-	(82,072)
Adjustment to goodwill in respect of prior years	(3,095)	-	-	-	(3,095)
Fair value gain on derivatives	2,485	-	-	-	2,485
Share of profit from joint venture	1,777	-	-	-	1,777
Share of profit from associate	-	-	-	-	-
Operating (loss)/profit	(51,182)	8,504	(8,965)	-	(51,643)
Gain on disposal of associate	7,482	(7,482)	-	-	-
Gain on disposal of business	19	(19)	-	-	-
Finance costs	(94,655)	-	(223)	(14,713)	(109,591)
Finance income	533	-	63	-	596
(Loss)/profit before tax	(137,803)	1,003	(9,125)	(14,713)	(160,638)
Tax credit/(charge)	35,109	(548)	408	-	34,969
(Loss)/profit for the year	(102,694)	455	(8,717)	(14,713)	(125,669)
<i>Eliminate: Items excluded from EBITDA</i>					
Finance costs	94,655				109,591
Tax credit	(35,109)				(34,969)
Depreciation, amortisation and impairment of non-financial assets	71,284				82,072
Adjustment to goodwill in respect of prior years	3,095				3,095
Fair value gain on derivatives	(2,485)				(2,485)
Loss from disposal of assets	1,389				1,389
Foreign exchange movements	(415)				(415)
EBITDA	29,720				32,609
<i>Eliminate: Items excluded from Adjusted EBITDA</i>					
Transformational hires	22,874				22,874
Business transformation costs	31,168				59,516
Legacy and other costs	27,812				28,004
Regulatory costs	258				258
Acquisition and financing costs	5,932				7,050
Gain on disposal of associate	(7,482)				-
Gain on disposal of business	(19)				-
Adjusted EBITDA	110,263				150,311