REPORT TO INVESTORS

FOR THE THREE MONTHS ENDED 31 MARCH 2020

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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 THREE MONTHS ENDED 31 MARCH 2020

DISCLAIMER

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

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

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

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

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

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

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

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

Section 1: Business review for the three months ended 31 March 2020. Financial information in Section 1 has been presented on Reported and Pro Forma bases. Information shown on a Reported basis is presented in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) with acquisitions, disposals and refinancing transactions reflected from the date the acquisition or refinancing completed. Pro Forma for Completed Transactions are presented as if significant acquisitions, disposals and refinancing transactions occurred on the first day of the comparative period and therefore current and prior period information is presented on a like-for-like basis to enable meaningful comparisons to be made. Significant acquisitions and disposals included in the Pro Forma for Completed Transactions information are the disposal of the Commercial MGA business (completed 1 January 2019) the acquisition of the Nevada 3 businesses (acquisition of Minton House Group Limited (MHG), Health and Protection Solutions Limited (HIG) and Professional Fee Protection Limited (PFP), completed 31 January 2019) and the acquisition of a business and certain assets of Rural Insurance Group Limited (completed 28 February 2020).

Section 2: Unaudited interim condensed consolidated financial statements for the three months ended 31 March 2020. Information presented in this section is in accordance with IFRS as adopted by the EU with acquisitions, disposals and refinancing transactions reflected from the date the acquisition or refinancing completed.

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

STRUCTURE

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

ARDONAGH ADVISORY

The Ardonagh Advisory distribution platform is a single operating segment comprised of four businesses: Towergate Insurance Brokers (TIB), Riskline, Health and Protection and Footman James, who 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 are sold mainly through face to face relationships via the Towergate brand. Riskline is a centre of excellence selling to micro 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. As a member of the Worldwide Broker Network, Ardonagh Advisory 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

The Ardonagh Retail distribution platform consists of three operating segments:

Retail includes three businesses: Autonet, 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, a leading motorcycle and classic car insurance broker in the UK and Ireland, and a specialist brand renowned for quality and service; and Swinton, one of the largest personal lines insurance brokers in the UK, with a well-recognised, heritage consumer brand.

Paymentshield is a leading provider and administrator of general insurance solutions distributed through independent financial advisors, mortgage networks and other intermediaries. It is focused on the supply of household related products, such as buildings and contents insurance, mortgage payment protection insurance, income protection and landlord insurance products.

Schemes & Programmes includes a broad range of specialist products including non-standard property, marine, caravan, military, travel and pet insurance, primarily selling direct to consumer.

ARDONAGH SPECIALTY

The Ardonagh Specialty distribution platform consists of two operating segments:

Specialty & International includes two businesses that 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, 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, 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.

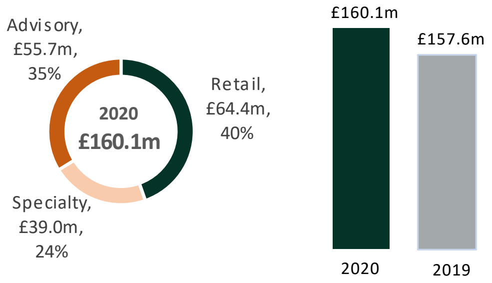
CORPORATE

The Group maintains a non-operating segment comprising central costs and income not allocated to the operating segments. 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.

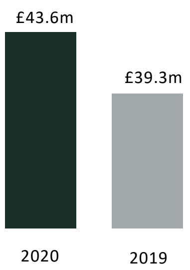
HIGHLIGHTS AND KEY PERFORMANCE INDICATORS
FOR THE 3 MONTHS ENDED 31 MARCH 2020

REPORTED

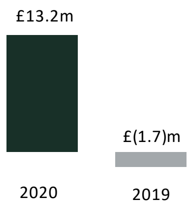
TOTAL INCOME



ADJUSTED EBITDA

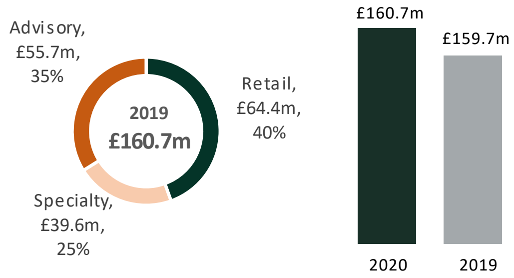


OPERATING PROFIT / (LOSS)

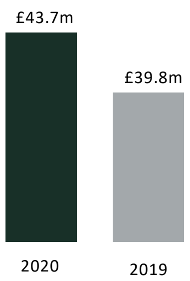


PRO FORMA FOR COMPLETED TRANSACTIONS

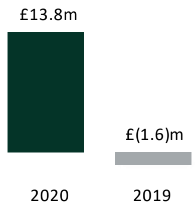
TOTAL INCOME



ADJUSTED EBITDA



OPERATING PROFIT / (LOSS)



AVAILABLE LIQUIDITY

31 March 2020: **£147.4m** 31 December 2019: £181.7

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 the Nevada 3 businesses: MHG, HIG and PFP (completed 31 January 2019) and the acquisition of a business and certain assets of Rural Insurance Group Limited (completed 28 February 2020). Pro Forma for Completed Transactions also adjusts for disposal of the Commercial MGA business, (completed 1 January 2019).

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

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

GROUP FINANCIAL PERFORMANCE

Period ended 31 March (£ million)	Reported			Pro Forma for Completed Transactions		
	2020	Restated* 2019	Change	**2020**	Restated* 2019	Change
Total income	**160.1**	157.6	2.5	**160.7**	159.7	1.0
Adjusted EBITDA	**43.6**	39.3	4.3	**43.7**	39.8	3.9
EBITDA	**34.9**	28.1	6.8	**35.6**	26.1	9.5
Operating profit/(loss)	**13.2**	(1.7)	14.9	**13.8**	(1.6)	15.4
Loss for the period	**(13.7)**	(22.4)	8.7	**(13.1)**	(24.8)	11.7

* Restated 2019. See footnote on the interim condensed consolidated statement of profit or loss and other comprehensive income.

There has been a limited financial impact of Covid-19 on the Group to date, with our focus being on the wellbeing of colleagues whilst ensuring operational resilience. The efficiency and stability of the Group's infrastructure has enabled home working for over 90% of our employee base. We continue to review the operational aspects of Covid-19 in line with the latest global developments and government guidance. Insurance broking is a resilient and defensive market, which has historically had limited impact from past economic or capital market downturns and Ardonagh's highly diversified structure along with no material exposure to a single carrier, customer or market sector means the Group is well-placed in the current economic circumstances.

Reported results

Reported Total income increased by £2.5m to £160.1m (2019: £157.6m), and **Adjusted EBITDA** increased by £4.3m to £43.6m (2019: £39.3m). The income growth is predominantly a result of the new producer hires in the Specialty & International operating segment combined with the acquisitions. Adjusted EBITDA has increased by 11%, as both organic growth and cost saving initiatives convert 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. Some of these savings have been invested in the business, primarily in Ardonagh Specialty to support new hires that are rapidly approaching revenue maturity.

Acquisitions completed by the Group are included in the result from the date they were acquired. On 31 January 2019, the Group completed the acquisition of Nevada Investment Holdings 2 Limited (Nevada 2). On acquisition, Nevada 2 was the holding company of Minton House Group Limited, Health and Protection Solutions Limited and Professional Fee Protection Limited. On 28 February 2020 the Group completed the acquisition of a business and certain assets of Rural Insurance Group Limited.

EBITDA includes four main areas of spend considered by management to be material and specific to the Group's significant transformation initiatives: 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 channel. This includes recruitment costs, sign-on fees, retention and other costs. Business Transformation represents costs to deliver benefits from ongoing transformation projects including the finalisation of the Towergate transformation programmes plus integration costs to realise synergy benefits from recent acquisitions. Legacy Costs include costs associated with 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.

Reported EBITDA has increased by £6.8m to £34.9m (2019 restated: £28.1m) driven by £4.3m improvement in Reported Adjusted EBITDA. Cost savings are expected to continue to deliver into underlying EBITDA as programmes continue across all our operating segments.

GROUP FINANCIAL PERFORMANCE

Reported results *(continued)*

Reported operating result improved by £14.9m to report a profit of £13.2m (2019: loss of £(1.7)m), primarily due to Reported Total Income growth in conjunction with the delivery of cost savings.

Reported loss for the year improved by £8.7m to £(13.7)m (2019 Restated: £(22.4)m). Whilst the operating result improved by £14.9m, this has been offset by a £4.8m decrease in the tax credit in the year coupled with no gain on disposal of a business in 2020 (2019: £2.6m relating to the Commercial MGA disposal).

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. These transactions include the acquisition of the Nevada 2 businesses (completed 31 January 2019), which have been integrated into the Ardonagh Advisory and Ardonagh Specialty platforms and the acquisition of a business and certain assets of Rural Insurance Group Limited (28 February 2020).

Total Income increased by £1.0m to £160.7m (2019 restated: £159.7m) after adjusting for completed acquisitions. Strong organic growth in Ardonagh Specialty, particularly in Aviation and Marine, and Ardonagh Advisory, has been partially offset by a small expected year on year decline in Swinton.

Adjusted EBITDA increased by £3.9m to £43.7m (2019 restated: £39.8m) after adjusting for completed acquisitions. This reflects the growth in Total Income and strong delivery of the cost and synergy programmes across all segments, offset by reinvestment in the business.

EBITDA increased by £9.5m to £35.6m (2019 restated: £26.1m) after adjusting for completed acquisitions. This reflects the improvement in Adjusted EBITDA and a £5.9m reduction in business transformation costs.

Operating result improved by £15.4m to £13.8m (2019 restated: loss of £(1.6)m) after adjusting for completed acquisitions. This reflects Total Income growth, delivery of cost savings, and reduced one-time costs.

Loss for the period improved by £11.7m to £(13.1)m (2019 restated: £(24.8)m) after adjusting for completed acquisitions. This primarily reflects the £15.4m improvement in Pro Forma for Completed Transactions Operating Result, partially offset by a £4.8m decrease in the tax credit in the year.

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

GROUP FINANCIAL CONDITION

Interim condensed consolidated statement of financial position

Extracts from the Group's interim condensed consolidated statement of financial position as at 31 March 2020 and 31 December 2019 are presented below. Over the three-month period the Group has reported a decline in net assets and net current assets.

	31 March 2020 (unaudited) £m	31 December 2019 (audited) £m
Intangible assets	**1,122.6**	1,112.2
Property, plant and equipment	**25.6**	26.2
Other non-current assets	**114.5**	94.8
Non-current assets	**1,262.7**	1,233.2
Cash and cash equivalents	**407.7**	410.9
Current assets - excluding cash and cash equivalents	**207.2**	192.8
Current liabilities	**(618.5)**	(578.2)
Net current (liabilities)/assets	**(3.6)**	25.5
Non-current liabilities	**(1,195.7)**	(1,171.5)
Net assets	**63.4**	87.2

Intangible assets increased by £10.4m during the period. The acquisition of the business and assets of the Education Staff Absence Insurance Book and certain business and assets held by Rural Insurance Group Limited resulted in an increase of £25.0m in the Group's intangible balances which has been offset by amortisation of £17.7m. There were also further additions to Customer Relationships of £1.5m and Computer Software of £1.9m.

Other non-current assets have increased by £19.7m during the period. The increase is primarily due to the increase in the non-current derivative balance of £17.7m caused by a significant decrease in the GBP/USD exchange rate during the quarter. Non-current derivative assets as at 31 March 2020 relate to cross-currency swaps that are used to hedge the Group's USD debt.

The £14.4m increase in current assets during the period, excluding cash and cash equivalents, is driven by an increase of £2.6m in the derivative balance caused by a change in the USD foreign exchange rate and an increase in the trade and other receivables balance of £13.4m offset against a reduction in the held for sale assets of £1.9m.

Current liabilities have increased by £40.3m during the period, driven by an increase in borrowings of £44.3m being the drawdown on the RCF offset by transaction costs and a reduction in interest payable and an increase in trade and other payables of £9.5m offset against a decrease in premium financing liabilities of £4.3m and a decrease in the Group's provisions balance of £11.7m.

The increase in non-current liabilities of £24.2m during the period is mainly due to an increase in Borrowings of £37.3m driven by exchange rate movements, offset by a £16.2m decrease in derivatives.

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 2019.

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 period the Group generated positive cash inflow from operations. This was primarily offset by interest payments of £47.7m and the acquisition of businesses net of acquired cash of £23.9m.

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 interim condensed consolidated financial statements on an amortised cost basis (see note 21), and the USD Notes have been converted to GBP at the 31 March 2020 foreign exchange rate of 1.24062.

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.

Gross secured debt

	31 March 2020 £ million	31 December 2019 £ million
£400.0m Notes	**400.0**	400.0
USD520.0m Notes	**419.1**	394.4
£55.0m Notes	**55.0**	55.0
£98.3m Notes	**98.3**	98.3
USD235.0m Notes	**189.4**	178.2
Revolving credit facility	**70.0**	-
Adjustment to debt carrying	**(35.1)**	(34.2)
Total gross secured debt	**1,196.7**	1,091.7

Liquidity and capital resources *(continued)*

Cash balances and Available Liquidity

	31 March 2020 £ million	31 December 2019 £ million
Own funds	**41.5**	48.2
Own funds - restricted	**23.1**	23.1
Own funds - ETV	**13.6**	13.5
Fiduciary	**329.5**	326.1
Total Cash	**407.7**	410.9
Less fiduciary and restricted (excluding ETV)	**(352.6)**	(349.2)
Available Cash	**55.1**	61.7
RCF capacity	**170.0**	120.0
RCF undrawn	**100.0**	120.0
Available Liquidity	**147.4**	181.7

Available Liquidity defined as Available Cash plus available RCF. Definitions are set out in the glossary of terms in Section 3.

SECTION 2

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 31 MARCH 2020

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FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2020

	Note	**Three months ended 31 March (unaudited) 2020 £000**	Restated* Three months ended 31 March (unaudited) 2019 £000
Commission and fees	5	**155,219**	151,920
Other income	5	**4,087**	4,503
Investment income	5	**522**	582
Salaries and associated costs	5	**(75,113)**	(78,141)
Other operating costs	5	**(48,095)**	(53,484)
Impairment of financial assets	5	**(2,081)**	(2,095)
Depreciation, amortisation and impairment of non-financial assets	5	**(21,796)**	(24,826)
Fair value loss on derivatives	5	**-**	(593)
Share of profit from joint venture	14	**372**	452
Share of profit from associate	14	**108**	-
Operating profit/(loss)		**13,223**	(1,682)
Gain on disposal of business	5	**-**	2,572
Finance costs	6	**(27,209)**	(28,658)
Finance income	6	**227**	545
Loss before tax		**(13,759)**	(27,223)
Tax credit	5	**83**	4,865
Loss for the period		**(13,676)**	(22,358)
Attributable to:			
Owners of the parent		**(14,574)**	(22,699)
Non-controlling interests		**898**	341
Loss for the period		**(13,676)**	(22,358)

* The Group has recognised a deferred tax asset in its consolidated financial statements in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. A deferred tax asset is recognised on the basis that future taxable profits will arise in the consolidated financial statements as a result of the unwind of the deferred tax liability that was already included in those financial statements in relation to intangible assets recognised on a business combination. The adjustment increases deferred tax assets and decreases equity in the statement of financial position by £34.7m as at 31 March 2019 and it increases the tax credit in the income statement for the three months ended 31 March 2019 by £2.3m.

Additionally, £0.8m presented as 'derecognition of assets following a sale of business' in the three months ended 31 March 2019 has been reclassified to Depreciation, amortisation and impairment of non-financial assets.

The notes on pages 20 to 51 form an integral part of these interim condensed consolidated financial statements.

FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2020

	Note	**Three months ended 31 March (unaudited) 2020 £000**	Restated* Three months ended 31 March (unaudited) 2019 £000
Loss for the period		**(13,676)**	(22,358)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**459**	337
Change in costs of hedging reserve	19	**(1,386)**	(1,634)
Change in cash flow hedging reserve	19	**(1,366)**	2,913
Income tax relating to these items	19	**485**	290
Other comprehensive income for the period		**(1,808)**	1,906
Total comprehensive loss for the period		**(15,484)**	(20,452)
Attributable to:			
Owners of the parent		**(16,382)**	(20,793)
Non-controlling interests		**898**	341
Total comprehensive loss for the period		**(15,484)**	(20,452)

* The Group has recognised a deferred tax asset in its consolidated financial statements in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. A deferred tax asset is recognised on the basis that future taxable profits will arise in the consolidated financial statements as a result of the unwind of the deferred tax liability that was already included in those financial statements in relation to intangible assets recognised on a business combination. The adjustment increases deferred tax assets and decreases equity in the statement of financial position by £34.7m as at 31 March 2019 and it increases the tax credit in the income statement for the three months ended 31 March 2019 by £2.3m.

The notes on pages 20 to 51 form an integral part of these interim condensed consolidated financial statements.

FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Note	**31 March 2020 (unaudited) £000**	31 December 2019 (audited) £000
Non-current assets			
Intangible assets	9	**1,122,642**	1,112,194
Property, plant and equipment	12	**25,569**	26,168
Right-of-use assets	13	**38,162**	36,209
Investment in associates and joint ventures	14	**7,224**	7,420
Financial assets at fair value through other comprehensive income	18	**271**	271
Trade and other receivables	16	**15,379**	15,756
Contract assets		**1,690**	1,708
Other assets		**10,122**	9,037
Deferred tax asset		**22,246**	22,687
Derivatives	19	**19,402**	1,709
		1,262,707	1,233,159
Current assets			
Cash and cash equivalents	15	**407,686**	410,903
Trade and other receivables	16	**169,023**	155,573
Derivatives	19	**7,071**	4,532
Contract assets		**9,835**	9,801
Other assets		**19,185**	19,098
Financial assets at fair value through profit or loss	18	**27**	36
Current tax asset		**191**	-
Assets held for sale	7	**1,856**	3,735
		614,874	603,678
Current liabilities			
Trade and other payables	20	**(437,784)**	(428,287)
Borrowings	21	**(88,414)**	(44,149)
Lease liabilities	13	**(11,406)**	(10,084)
Premium financing liabilities		**-**	(4,341)
Derivatives	19	**(4,086)**	(1,970)
Contract liabilities		**(27,299)**	(26,829)
Provisions	22	**(48,947)**	(60,651)
Current tax liability		**-**	(130)
Liabilities held for sale	7	**(589)**	(1,754)
		(618,525)	(578,195)
Net current assets		**(3,651)**	25,483
Non-current liabilities			
Trade and other payables	20	**(12,644)**	(11,156)
Borrowings	21	**(1,128,981)**	(1,091,689)
Lease liabilities	13	**(34,182)**	(33,021)
Derivatives	19	**(3,543)**	(19,730)
Contract liabilities		**(1,432)**	(1,471)
Provisions	22	**(14,914)**	(14,457)
		(1,195,696)	(1,171,524)
Net assets		**63,360**	87,118

FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Note	**31 March 2020 (unaudited) £000**	31 December 2019 (audited) £000
Capital and reserves attributable to the Group's shareholders			
Share capital	23	**7,425**	7,331
Share premium	23	**751,583**	740,886
Retained losses		**(663,478)**	(649,006)
Hedging reserves	19	**(461)**	1,806
Non-controlling interest reserve		**(22,103)**	(7,377)
Treasury share reserve		**(11,272)**	(11,015)
Foreign currency translation reserve		**763**	304
Shareholders' equity		**62,457**	82,929
Non-controlling interest		**903**	4,189
Total equity		**63,360**	87,118

The notes on pages 20 to 51 form an integral part of these interim condensed consolidated financial statements.

This set of interim condensed consolidated financial statements was approved by the Board of Directors on 20 May 2020 and was signed on its behalf by:

D Cougill
Director

FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2020

	Share capital £000	Share premium £000	Retained losses £000	Hedging reserves £000	Treasury share reserve £000
At 1 January 2020	**7,331**	**740,886**	**(649,006)**	**1,806**	**(11,015)**
(Loss)/profit for the period	-	-	(14,574)	-	-
Other comprehensive income	-	-	-	(2,267)	-
	7,331	**740,886**	**(663,580)**	**(461)**	**(11,015)**
Share based payment scheme	-	-	102	-	-
Purchase of own shares	-	-	-	-	(257)
Distribution to non-controlling interest	-	-	-	-	-
Transactions with non-controlling interest	94	10,697	-	-	-
At 31 March 2020 (unaudited)	**7,425**	**751,583**	**(663,478)**	**(461)**	**(11,272)**

	Non-controlling interest reserve £000	Foreign currency translation reserve £000	Total share-holders' equity £000	Non-controlling interest £000	Total equity £000
At 1 January 2020	**(7,377)**	**304**	**82,929**	**4,189**	**87,118**
(Loss)/profit for the period	-	-	(14,574)	898	(13,676)
Other comprehensive income	-	459	(1,808)	-	(1,808)
	(7,377)	**763**	**66,547**	**5,087**	**71,634**
Share based payment scheme	-	-	102	-	102
Purchase of own shares	-	-	(257)	-	(257)
Distribution to non-controlling interest	-	-	-	(120)	(120)
Transactions with non-controlling interest	(14,726)	-	(3,935)	(4,064)	(7,999)
At 31 March 2020 (unaudited)	**(22,103)**	**763**	**62,457**	**903**	**63,360**

The notes on pages 20 to 51 form an integral part of these interim condensed consolidated financial statements.

FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2019

	Share capital £000	Convertible equity certificates £000	Share premium £000	*Restated Retained losses £000	Hedging reserves £000
Restated at 1 January 2019	6,826	-	674,391	(571,495)	(5,946)
Transition to IFRS 16**	-	-	-	59	
Adjusted at 1 January 2019	6,826	-	674,391	(571,436)	(5,946)
(Loss)/profit for the period	-	-	-	(22,699)	-
Other comprehensive income	-	-	-	-	1,569
	6,826	-	674,391	(594,135)	(4,377)
Issue of convertible equity certificates	-	67,000	-	-	-
At 31 March 2019 (unaudited)	6,826	67,000	674,391	(594,135)	(4,377)

	Reclassified Treasury share reserve £000	Non-controlling interest reserve £000	Foreign currency translation reserve £000	Total shareholders' equity £000	Non-controlling interest £000	Total equity £000
Restated at 1 January 2019	(102)	(2,495)	(14)	101,165	392	101,557
Transition to IFRS 16**	-	-	-	59	42	101
Adjusted at 1 January 2019	(102)	(2,495)	(14)	101,224	434	101,658
(Loss)/profit for the period	-	-	-	(22,699)	341	(22,358)
Other comprehensive income	-	-	337	1,906	-	1,906
	(102)	(2,495)	323	80,431	775	81,206
Issue of convertible equity certificates	-	-	-	67,000	-	67,000
At 31 March 2019 (unaudited)	(102)	(2,495)	323	147,431	775	148,206

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2019

* The Group has recognised a deferred tax asset in its consolidated financial statements in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. A deferred tax asset is recognised on the basis that future taxable profits will arise in the consolidated financial statements as a result of the unwind of the deferred tax liability that was already included in those financial statements in relation to intangible assets recognised on a business combination. As at 31 March 2019, the adjustment to recognise the deferred tax asset increases deferred tax assets by £34.7m (1 January 2019: £32.4m), increases non-controlling interest reserve by £1.2m (1 January 2019: £1.2m), increases non-controlling interests by £1.7m (1 January 2019: £1.7m), decreases retained losses by £31.8m (1 January 2019: £29.5m) and it increases the tax credit in the income statement for the three months ended 31 March 2019 by £2.3m. The Group also subsumed its share-based payment reserve, which was previously presented separately, within retained losses. The amount subsumed was £0.2m at 31 December 2018. The Group also reclassified amounts that relate to the purchase of own shares from retained losses to a treasury shares reserve. The amount of the reclassification is £0.1m at 31 December 2018.

** The amounts presented above as IFRS 16 adjustments to the opening balance of equity are those reported in the Group's 31 December 2019 financial statements. The amounts included in the 31 March 2019 interim financial statements were subsequently revised from the initial adjustment.

The notes on pages 20 to 51 form an integral part of these interim condensed consolidated financial statements.

FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2020

	Note	**Three months ended 31 March (unaudited) 2020 £000**	Three months ended 31 March (unaudited) 2019 £000
Cash flows from operating activities*			
Net cash inflow/(outflow) from operations	17	**2,732**	(56,950)
Interest received		**239**	545
Investment income		**522**	582
Income from associate	14	**313**	-
Income from joint venture	14	**363**	301
Tax (paid)/received		**(321)**	163
Settlement of forward contracts		**(216)**	-
Net cash inflow/(outflow) from operating activities		**3,632**	(55,359)
Cash flows from investing activities			
Acquisition of businesses net of cash acquired	10	**(23,900)**	8,427
Purchase of property, plant and equipment		**(1,434)**	(969)
Proceeds on disposal of property, plant and equipment		**694**	-
Purchase of intangible fixed assets		**(2,807)**	(2,360)
Disposal of businesses		**-**	29,102
Movement in cash and cash equivalents held for sale		**630**	-
Repayment of lease receivable		**94**	-
Net cash (outflow)/inflow from investing activities		**(26,723)**	34,200
Cash flows from financing activities			
Interest paid on borrowings**		**(47,744)**	(43,843)
Repayments of premium financing		**(4,342)**	(14,901)
Debt transaction costs		**(535)**	(2,749)
RCF drawdown		**70,000**	-
Interest paid on lease liabilities		**(1,407)**	(2,059)
Repayment of lease liabilities		**(1,562)**	(2,742)
Transactions with non-controlling interests		**(94)**	-
Distribution to non-controlling interests		**(120)**	-
Purchase of own shares		**(1,541)**	-
Net cash inflow/(outflow) from financing activities		**12,655**	(66,294)
Net decrease in cash and cash equivalents		**(10,436)**	(87,453)
Cash and cash equivalents at the beginning of the year	15	**410,903**	504,956
Effect of movements in exchange rates on cash held		**7,219**	(3,618)
Cash and cash equivalents at the end of the period	15	**407,686**	413,885

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

* Cash outflow relating to transaction costs on completed and aborted acquisitions of £3.6m in March 2019, which was previously shown on the face of the statement of cash flows, has now been presented within net cash outflow from operations (see note 17).

** Of the interest paid, £1.5m (31 March 2019: £0.6m) relates to cash received on settlement of cross-currency swaps that are designated in a hedging relationship (see note 19).

The notes on pages 20 to 51 form an integral part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 General information

The Ardonagh Group Limited (the Company) is a private company limited by shares with registered number 117710. It is incorporated and registered in Jersey. The address of its registered office is 44 Esplanade, St Helier, Jersey, JE4 9WG.

These interim condensed consolidated financial statements comprise the Company and its subsidiaries (the Group) and have been prepared in connection with the shareholders' deed, the bond indenture and the RCF agreement relating to the Group for the three-month period to 31 March 2020.

The financial information contained in these interim results does not constitute statutory accounts of the Company within the meaning of the Companies (Jersey) Law 1991. Statutory accounts for the year ended 31 December 2019 were approved by the Board of Directors on 22 April 2020. The report of the auditors on those accounts was unqualified and did not contain an emphasis of matter paragraph.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2 Basis of preparation

The interim condensed consolidated financial statements of the Group have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the Group's financial position and performance.

The interim condensed consolidated financial statements should be read in conjunction with the Group's Annual Consolidated Financial Statements for the year ended 31 December 2019, which have been prepared in accordance with IFRS as adopted by the European Union

The interim condensed consolidated financial statements are presented in GBP sterling (£).

Amounts shown are rounded to the nearest thousand, unless stated otherwise.

The interim condensed consolidated financial statements have been prepared under the historical cost convention, as modified to use a different measurement basis where necessary to comply with IFRS.

The Directors have considered the guidance of the UK Financial Reporting Council and events relating to the spread of coronavirus (COVID-19) in preparing these interim condensed consolidated financial statements.

Going concern

The interim condensed consolidated financial statements of the Group set out on pages 12 to 19 have been prepared on a going concern basis. At 31 March 2020, the Group had net assets of £63.4m (31 December 2019: £87.1m) and net current liabilities of £(3.7)m (31 December 2019: net current assets of £25.5m). The Group reported an operating profit of £13.2m for the three months ended 31 March 2020 (31 March 2019: £(1.7)m loss), net cash inflows from operating activities of £3.6m (31 March 2019: £(55.4)m outflow) and cash outflows of £(10.4)m (31 March 2019: £(87.5)m). Operating cash conversion of 61% was reported at 31 March 2020 (31 March 2019: 44%).

The Directors consider the going concern basis to be appropriate following their assessment of the Group's financial position and its ability to meet its obligations as and when they fall due. In making the going concern assessment the Directors have taken into account the following:

- The current capital structure and liquidity of the Group (see Business Review: Liquidity and Capital Resources on page 7) and its base case and stressed cash flow forecasts over the calendar years 2020 and 2021.
- The principal risks facing the Group, including the potential financial and operational impacts of Covid-19, and its systems of risk management and internal control.
- Actual trading in the four months ended April 2020.

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

- The Group continues to benefit from the Revolving Credit Facility of £170m, of which £70m was drawn. Permissible RCF drawings are limited by the Group's credit facility basket.
- Following the commencement of the main settlement of the ETV liabilities during the third quarter of 2019, the Group completes the majority of the settlement by the end of 2020.
- Client retention and renewal rates are expected to be robust, despite the likely economic downturn.

Key stress scenarios that the Directors have considered include cumulative stresses to the base plan of a net reduction in cashflow of over £100m in 2020 and further reductions in 2021. This results from:

- A sustained 20% shortfall in base case projected income in 2020 and 15% in 2021.
- A 10% deterioration in base case cash conversion rates over and above the fall in income
- A 15% deterioration in the quantum and acceleration of the settlement of the ETV liabilities compared to the base case.
- Mitigating actions within management control including delayed capital expenditure, a reduction in discretionary spend and some reduction in employee headcount and remuneration.

Actual trading in the four months ended April 2020 is significantly ahead of the stresses to the base plan noted above. However, the Group has not yet revised the base plan for Covid-19 uncertainties for 2020 and beyond, and this is expected to take place over the course of Q2.

2 Basis of preparation *(continued)*

Our stress testing further indicates that revenue would need to decline by up to 30% compared to base case in each of the next 6 quarters, offset by slightly higher discretionary cost cuts and headcount reductions (but still assuming that the cost base does not reduce at the same speed as income) to reach our liquidity limits. The Directors consider these stress conditions to be a remote scenario.

Other mitigations which may be possible but have not been included in the above analysis include seeking shareholder support and further incremental and more prolonged cost reductions.

The Directors have also considered the wider operational consequences and ramifications of the Covid-19 pandemic.

- Business Continuity Plans are in place across each of the Group's operating segments, with measures to manage employee absences, access to the wider network of over 80 offices, the efficiency and stability of the Group's infrastructure and the ability for home working for a significant portion of our employee base. Leadership teams and working groups led by senior managers are in place to support operational resilience and taking common-sense precautions with a view to ensuring the wellbeing of colleagues. We continue to review this approach on a daily basis in line with latest global developments and government guidance.
- Insurance broking is a resilient and defensive market, which has historically had limited impact from past economic or capital market downturns. Ardonagh is highly diversified and not materially exposed to a single carrier, customer or market sector.
- Although Covid-19 developments are fluid, the stress testing demonstrates the Group's financial resilience and operating flexibility.

Following the assessment of the Group's financial position and its ability to meet its obligations as and when they fall due, including the potential financial implications of the Covid-19 pandemic included in stress tests, and the wider operational consequences and ramifications of the pandemic, the Directors are not aware of any material uncertainties that cast significant doubt on the Group's ability to continue as a going concern.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year. Some amendments to accounting standards have become effective in the year beginning 1 January 2020, but their impact on the Group's interim condensed consolidated financial statements is not material.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4 Critical accounting estimates and judgements

Estimates and judgements used in preparing the interim condensed consolidated financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below.

Critical judgements in applying accounting policies

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

Key sources of estimation uncertainty

Leases – determination of the discount rate

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

The Group has determined the discount rate based on the available secondary bond market yield to maturity pricing and the discount rate used for each lease depends on the lease amount and term.

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

Deferred tax assets

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

The deferred tax asset as at 31 March 2020 is £79.5m (31 December 2019: £80.5m).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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, fully constrained) is applied when the results underlying these arrangements are highly susceptible to factors outside the Group's influence or when the Group's experience has limited predictive value.

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

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

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

Enhanced Transfer Values (ETV) provision

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

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

The provision will be informed and updated during the course of the redress programme based upon the experience of actual redress payments. See note 22 for further information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 30 September 2019 and another impairment test was performed in the first quarter of 2020 (see note 9).

An impairment test of an asset or cash-generating unit (or group of cash-generating units) is performed by comparing its carrying amount with its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use, where its value in use is the present value of its future cash flows. An impairment test requires the application of significant judgement because it relies on key assumptions, including forecast cash flows, a discount rate, a terminal growth rate and an Adjusted EBITDA multiple.

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

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

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 Segmental analysis

Descriptions of the Group's segments can be found in Section 1 – Structure.

Under IFRS 8 'Operating Segments', the Group determines its operating segments based on the information that is provided to the Group Executive Committee, which is the Group's chief operating decision maker, and it aggregates its operating segments into reportable segments or 'platforms' where aggregation provides useful information to the users of the financial statements and where the operating segments have similar characteristics. During the period, the Group revised the presentation of its reportable segments and restated the comparative segment information to reflect the new structure, as shown in the table below:

Reportable segment	Operating segment	Basis for aggregation of the operating segments
Ardonagh Advisory	Insurance Broking	Not applicable.
Ardonagh Retail	Retail Paymentshield Schemes & Programmes	- Similar economic characteristics, in that they focus on low value and high-volume policies and they have a cost base that is driven by contact centres and direct marketing; - Similar products and services, in that they protect end consumers with wheels-based, property-based or pet insurance products; - Similar production processes, in that they comprise 'panel' business that seeks quotes from a range of insurers; - Similar customers, primarily direct end consumers rather than businesses; and - Similar distribution methods, being price comparison sites, search engines, trade shows, advertising in publication, and via networks of financial advisors.
Ardonagh Specialty	Specialty & International MGA	- Similar economic characteristics, in that they focus on high value and specialised products, they have a cost base that is driven by employing customer-facing staff and by having various capacity providers, and they have similar long-term Adjusted EBITDA margins; - Similar products and services, in that they focus on specialist risk areas in targeted areas of the insurance market; - Similar production processes, in that they use a range of insurance providers to provide products to meet customer needs; - Similar customers, primarily brokers and intermediaries who then sell to the end consumer; and - Similar distribution methods, being via brokers and intermediaries.

Segments are reviewed and revised as necessary following structural changes within the Group or acquisitions of new companies.

The Group Executive Committee assesses the performance of the operating segments based on an Adjusted EBITDA measure. The presentation of the segment information has been revised during the first quarter of 2020 to reflect that. The Group Executive Committee assesses the financial position of the Group on a consolidated Group basis and therefore does not regularly receive measures of total assets or total liabilities on an operating segment basis. Accordingly, no financial position measures are reported within the Group's segmental analysis.

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

Of the Total Income disclosed in the consolidated income statement, £25.9m is attributable to sales made outside the UK.

Commissions and fees represent the Group's revenue from contracts with customers which is recognised in accordance with IFRS 15. The Group's operating segments, not its reportable segments reflect its disaggregation of revenue, so that disaggregation is provided beneath the segmental analysis.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 Segmental analysis *(continued)*

Period ended 31 March 2020	Ardonagh Retail £000	Ardonagh Advisory £000	Ardonagh Specialty £000	Corporate £000	Total £000
Commission and fees	60,379	55,687	38,488	665	155,219
Other income	4,030	2	55	-	4,087
Investment income	7	1	337	177	522
Salaries and associated costs	(21,374)	(26,009)	(23,358)	(4,372)	(75,113)
Other operating costs	(22,867)	(13,125)	(9,053)	(3,050)	(48,095)
Impairment of financial assets	(2,145)	(212)	276	-	(2,081)
Depreciation, amortisation and impairment of non-financial assets	(9,653)	(6,149)	(5,009)	(985)	(21,796)
Fair value loss on derivatives	-	-	-	-	-
Share of profit from joint venture	372	-	-	-	372
Share of profit from associate	-	-	108	-	108
Operating profit/(loss)	8,749	10,195	1,844	(7,565)	13,223
Gain on disposal of business	-	-	-	-	-
Finance costs	(689)	(549)	(352)	(25,619)	(27,209)
Finance income	33	3	109	82	227
Profit/(loss) before tax	8,093	9,649	1,601	(33,102)	(13,759)
Tax (charge)/credit	(48)	(58)	(10)	199	83
Profit/(loss) for the period	8,045	9,591	1,591	(32,903)	(13,676)
Finance costs					27,209
Tax credit					(83)
Depreciation					4,157
Amortisation and impairment of non-financial assets					17,639
Loss from disposal of non-financial assets					449
Foreign exchange movements					(767)
Transformational hires					945
Business transformation costs					4,883
Legacy costs					642
Other costs					930
Regulatory costs					33
Acquisition and financing costs					1,217
Adjusted EBITDA	20,076	17,759	9,293	(3,550)	43,578

The £60.4m commission and fees for the Ardonagh Retail reportable segment comprises £43.1m, £9.4m and £7.9m in relation to the Retail, Paymentshield and Schemes & Programmes operating segments respectively. The £38.5m commission and fees for the Ardonagh Specialty reportable segment comprises £30.6m and £7.9m in relation to the Specialty & International and MGA operating segments respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 Segmental analysis *(continued)*

Period ended 31 March 2019 Restated	Ardonagh Retail £000	Ardonagh Advisory £000	Ardonagh Specialty £000	Corporate £000	Total £000
Commission and fees	64,993	52,496	33,374	1,057	151,920
Other income	4,456	6	6	35	4,503
Investment income	8	1	421	152	582
Salaries and associated costs	(26,130)	(25,116)	(21,219)	(5,676)	(78,141)
Other operating costs	(31,003)	(13,243)	(7,766)	(1,472)	(53,484)
Impairment of financial assets	(1,914)	(20)	(161)	-	(2,095)
Depreciation, amortisation and impairment of non-financial assets	(12,667)	(5,194)	(5,580)	(1,385)	(24,826)
Fair value loss on derivatives	-	-	-	(593)	(593)
Share of profit from joint venture	452	-	-	-	452
Operating (loss)/profit	(1,805)	8,930	(925)	(7,882)	(1,682)
Gain on disposal of business	-	-	2,572	-	2,572
Finance costs	(2,258)	(517)	(430)	(25,453)	(28,658)
Finance income	55	5	88	397	545
(Loss)/profit before tax	(4,008)	8,418	1,305	(32,938)	(27,223)
Tax credit/(charge)	716	(1,504)	(233)	5,886	4,865
(Loss)/profit for the period	(3,292)	6,914	1,072	(27,052)	(22,358)
Finance costs					28,658
Tax credit					(4,865)
Depreciation					6,077
Amortisation and impairment of non-financial assets					18,749
Loss from disposal of non-financial assets					376
Foreign exchange movements					1,486
Transformational hires					1,472
Business transformation costs					10,777
Legacy costs					1,870
Regulatory costs					261
Acquisition and financing costs					(622)
Gain on disposal of business					(2,572)
Adjusted EBITDA	18,401	17,209	6,673	(2,974)	39,309

* The 2019 segment information was restated to reflect the revised reportable segments (see above) and to reflect the tax adjustment that is described in the footnote to the statement of profit or loss and other comprehensive income.

The £65.0m commission and fees for the Ardonagh Retail reportable segment comprises £47.6m, £9.3m and £8.1m in relation to the Retail, Paymentshield and Schemes & Programmes operating segments respectively. The £33.4m commission and fees for the Ardonagh Specialty reportable segment comprises £24.4m and £9.0m in relation to the Specialty & International and MGA operating segments respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6 Finance income and finance costs

	Three months ended 31 March 2020 (unaudited) £000	Restated Three months ended 31 March 2019 (unaudited) £000
Financial assets measured at amortised cost		
Interest income – own funds	**205**	544
Interest income – discount unwind	**16**	-
Interest income – other	**6**	1
Financial liabilities measured at amortised cost		
Unwinding of transaction costs and discount on financial liabilities	**(2,587)**	(2,793)
Interest expense - bank and other borrowings*	**(59,692)**	(11,422)
Interest expense - commitment fee	**(401)**	(396)
Interest expense - shareholders' loans	**-**	(36)
Interest expense - other loans	**(546)**	-
Interest on premium financing liabilities	**(212)**	(541)
Other finance income/(costs)		
Amounts reclassified from the cash flow hedging reserve for cross currency swaps	**37,674**	(11,362)
Amortisation of costs of hedging	**(38)**	(37)
Effective interest on lease liabilities	**(1,407)**	(2,059)
Unwinding of discount on provisions	**-**	(12)
Net finance costs	**(26,982)**	(28,113)
Analysed as:		
Finance income	**227**	545
Finance costs	**(27,209)**	(28,658)
Net finance costs	**(26,982)**	(28,113)

* The £59.7m (31 March 2019: £11.4m) interest expense on bank and other borrowings includes foreign currency translation differences arising on the debt and, when it is considered together with the (£37.7m) (31 March 2019: £11.4m) amount reclassified from the cash flow hedging reserve for cross currency swaps as a result of applying hedge accounting, the hedged interest expense on bank and other borrowings is determined to be £22.0m (31 March 2019: £22.8m).

During the year, the coupon interest expense on the Group's existing debt of circa £1,161.9m totalled £22.9m (31 March 2019: £22.9m). A further £2.5m (31 March 2019: £2.7m) of interest expense was recognised during the year relating to the unwind of the discount on these instruments as part of accounting for them at amortised cost using the effective interest rate.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7 Assets held for sale

As at 31 March 2020, the Group classified several freehold and leasehold properties, which form part of the Ardonagh Retail reportable segment, as held for sale. The Group also classified its subsidiary Solis Re Agency Inc, which forms part of the Ardonagh Specialty reportable segment, as held for sale, given its intention to dispose of its controlling interest in (albeit retain significant influence over) that subsidiary during the second quarter of this year. The figures shown in the table below reflect the full carrying amount of the assets and liabilities to be derecognised on disposal, but do not reflect any interest that is expected to be retained as an associate in relation to Solis Re Agency Inc.

	Swinton Properties £000	**Solis Re £000**	**31 March 2020 £000**
Property, plant and equipment	**672**	**-**	**672**
Right of use assets	**146**	**595**	**741**
Lease liabilities	**-**	**(558)**	**(558)**
Trade and other receivables	**-**	**274**	**274**
Cash and cash equivalents	**-**	**169**	**169**
Trade and other payables	**-**	**(31)**	**(31)**
	818	**449**	**1,267**

	Swinton Properties £000	Solis Re £000	31 December 2019 £000
Property, plant and equipment	1,397	-	1,397
Right of use assets	146	595	741
Lease liabilities	-	(594)	(594)
Trade and other receivables	-	798	798
Cash and cash equivalents	-	799	799
Trade and other payables	-	(1,160)	(1,160)
	1,543	438	1,981

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 1% (31 March 2019 as restated: 18%) giving rise to a tax credit of £0.1m (31 March 2019 as restated: a credit of £4.9m).

The tax charge differs from that which would result from applying the standard rate of corporation tax, mainly due to the impact of statutory restrictions on the deductibility of interest expense and the change to 19% in the legislated corporation tax rate for the tax year commencing 1 April 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9 Intangible assets

The table below provides a schedule of movements in the carrying value of intangible assets held on the interim condensed consolidated statement of financial position.

	31 March 2020 (unaudited) £000	31 December 2019 (audited) £000
Start of the period	**1,112,194**	1,095,203
Acquisition of subsidiaries	**24,998**	79,506
Net additions	**3,139**	12,263
Amortisation charge for the period	**(17,689)**	(74,778)
End of the period	**1,122,642**	1,112,194

The table below provides a schedule of movements in the carrying amount of goodwill held on the statement of financial position within intangible assets:

	31 March 2020 (unaudited) £000	31 December 2019 (audited) £000
Start of the period	**732,489**	678,756
Acquisition of subsidiaries	**19,111**	53,730
Net additions	**-**	3
End of the period	**751,600**	732,489

Goodwill is tested for impairment annually and whenever there is an indication that it may be impaired. The annual impairment test was performed at 30 September in 2019 and will be performed on this date in 2020 (and in subsequent years) once the latest five-year plan is available. The recoverable amounts and associated assumptions for the Group's operating segments, each of which constitutes a cash generating unit or group of cash generating units, are disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2019.

It was determined that the coronavirus global pandemic constituted an indication of impairment as at 31 March 2020. Revised forecast cash flow information was prepared in determining the recoverable amount (based on value in use), but it was concluded that there is no impairment to any operating segment. Additional information on assumptions used in measuring the recoverable amount is provided in note 4.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10 Business combinations

The Group made the following acquisitions during the reporting period:

- On 31 January 2020, the Group purchased the business and assets of an education staff absence insurance book from Integro Insurance Brokers Limited. The consideration paid was £0.4m cash. The acquisition has been included in the Ardonagh Advisory reportable segment.
- On 28 February 2020, the Group purchased a business and certain assets of a rural insurance business. The consideration paid was £23.5m cash. The acquisition has been included in the Ardonagh Specialty reportable segment.

	A rural insurance business £000	An education staff absence insurance business £000	Total £000
Purchase consideration			
Cash paid	**23,500**	**400**	**23,900**
Total purchase consideration	**23,500**	**400**	**23,900**
Assets and liabilities as a result of the acquisitions			
Current liabilities			
Trade and other payables	**(90)**	**-**	**(90)**
Net liabilities acquired	**(90)**	**-**	**(90)**
Customer relationships	**4,410**	**448**	**4,858**
Brand	**198**	**-**	**198**
Computer Software	**831**	**-**	**831**
Deferred tax	**(923)**	**(85)**	**(1,008)**
Net identifiable intangible assets acquired	**4,516**	**363**	**4,879**
Goodwill	**19,074**	**37**	**19,111**
Total purchase consideration	**23,500**	**400**	**23,900**

The acquisitions were accounted for under IFRS 3 'Business Combinations', which requires that the identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair value. Goodwill is calculated as the difference between the acquisition consideration and the acquisition date fair value of the net assets/(liabilities) acquired.

The amounts recognised in the interim condensed consolidated financial statements are provisional and adjustment may occur during the remainder of the measurement period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11 Transactions with non-controlling interests

During the first quarter of 2020, the Group purchased from non-controlling interests A shares in Atlanta Investment Holdings 3 Limited ('Atlanta'), representing 10.8% of the total A and B ordinary shares in Atlanta. The shares were purchased in exchange for £8m in cash (advanced in the fourth quarter of 2019) and 9,355,019 ordinary shares in The Ardonagh Group Limited. Following the purchase, the Group has increased its holding in Atlanta from 80.9% to 91.7%.

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

31 March 2020	**Atlanta Investment Holdings 3 Limited £000**
Carrying amount of non-controlling interests purchased	**4,064**
Consideration paid to non-controlling interests (in cash and shares)	**(18,790)**
Excess of consideration paid/payable recognised in the transactions with non-controlling interests reserve within equity	**(14,726)**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12 Property, plant and equipment

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

	31 March 2020 (unaudited) £000	31 December 2019 (audited) £000
Start of the period	**26,168**	37,008
Acquisition of subsidiaries	**-**	419
Net additions	**1,445**	337
Depreciation charge for the period	**(2,044)**	(9,937)
Derecognition of assets following disposal of business	**-**	(262)
Assets classified as held for sale	**-**	(1,397)
End of the period	**25,569**	26,168

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			
Three months ended 31 March 2020	**Property £000**	**Non-property £000**	**Total £000**	**Lease liabilities £000**
Start of the period	**35,528**	**681**	**36,209**	**(43,105)**
Additions	**285**	**1,666**	**1,951**	**(1,879)**
Terminations/modifications	**2,125**	**(9)**	**2,116**	**(2,130)**
Depreciation	**(2,009)**	**(105)**	**(2,114)**	**-**
Interest expense	**-**	**-**	**-**	**(1,407)**
Lease payments	**-**	**-**	**-**	**2,969**
Classified as held for sale	**-**	**-**	**-**	**(36)**
End of the period	**35,929**	**2,233**	**38,162**	**(45,588)**

	Right-of-use assets			
Year ended 31 December 2019	**Property £000**	**Non-property £000**	**Total £000**	**Lease liabilities £000**
As at 1 January 2019	**64,015**	**338**	**64,353**	**(71,145)**
Additions	**5,988**	**890**	**6,878**	**(8,509)**
Terminations/modifications	**(23,225)**	**(58)**	**(23,283)**	**26,138**
Depreciation	**(9,691)**	**(443)**	**(10,134)**	**-**
Impairment	**(818)**	**(46)**	**(864)**	**-**
Interest expense	**-**	**-**	**-**	**(6,256)**
Lease payments	**-**	**-**	**-**	**16,073**
Classified as held for sale	**(741)**	**-**	**(741)**	**594**
End of the year	**35,528**	**681**	**36,209**	**(43,105)**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 Investment in associates and joint ventures

Associates

On 12 September 2019, the Group acquired a 40% interest in Sino Insurance Brokers Limited (which has a wholly owned subsidiary, Sino Reinsurance Brokers Limited), comprising 400,000 ordinary shares of HK$1 each. This associate is initially recognised at cost and subsequently via the equity method, where the cost is the consideration comprising cash of HK$14.3m and deferred contingent consideration with a fair value that has been estimated, pending completion of the measurement period, to be HK$21.4m. The Group is entitled, under the terms of the acquisition of the 40% interest, to exercise a call option during the period 1 January 2021 to 31 December 2023 to acquire a further 35% interest in Sino Insurance Brokers Limited, comprising 350,000 ordinary shares of HK$1 each.

Investment in associates	**31 March 2020 (unaudited) £000**	31 December 2019 (audited) £000
Start of the period	**3,800**	-
Addition	**-**	3,583
Share of profit for the period	**108**	217
Dividend received	**(313)**	-
End of the period	**3,595**	3,800

Joint ventures

The Group has a participating interest in Carole Nash Legal Services LLP, a legal practice. Carole Nash Insurance Consultants Limited, a Group subsidiary company, owns 50% of the total equity of Carole Nash Legal Services LLP.

Investment in joint ventures	**31 March 2020 (unaudited) £000**	31 December 2019 (audited) £000
Start of the period	**3,620**	3,340
Share of profit for the period	**372**	1,680
Dividend received	**(363)**	(1,400)
End of the period	**3,629**	3,620

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15 Cash and cash equivalents

	31 March 2020 (unaudited) £000	31 December 2019 (audited) £000
Own funds	**41,536**	48,192
Own funds - restricted	**36,682**	36,604
Fiduciary funds	**329,468**	326,107
	407,686	410,903

Restricted own funds comprise:

- £13.6m as at 31 March 2020 (31 December 2019: £13.5m) of restricted cash kept in segregated accounts for claim settlements in relation to the disposal of the Towergate Financial business by Ardonagh Services Limited, an intermediate holding company within the Group.
- £23.1m as at 31 March 2020 (31 December 2019: £23.1m) of restricted cash kept in segregated accounts pursuant to the FCA's Threshold Condition 2.4 (applicable to the insurance broking industry), for ensuring that funds are available to pay any costs and expenses necessary to achieve an orderly wind down of the Group's business in the event its broking operations cease to operate or are otherwise closed. The amount of cash required to be held is determined by management and agreed by the FCA.

Fiduciary funds represent client money used to pay premiums to underwriters, to settle claims to policyholders and to defray commission and other income. Fiduciary funds are not available for general corporate purposes.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16 Trade and other receivables

	31 March 2020 (unaudited) £000	31 December 2019 (audited) £000
Trade receivables	**97,690**	85,331
Less: expected credit loss allowance	**(9,841)**	(10,789)
Trade receivables - net	**87,849**	74,542
Prepayments	**30,374**	22,469
Accrued income	**11,216**	10,782
Other receivables*	**31,173**	32,133
Other debtors	**21,807**	24,020
Related party debtors	**1,704**	7,104
Contingent consideration receivable	**279**	279
	184,402	171,329
Current	**169,023**	155,573
Non-current	**15,379**	15,756
	184,402	171,329

As at 31 March 2020, the Group had exposures to numerous individual trade counterparties within trade receivables. In accordance with Group policy, trade receivables balances are continually monitored against credit limits and concentration of risk. No individual trade counterparty credit exposure is considered significant in the ordinary course of trading activity. Management does not expect any significant losses from non-performance by trade counterparties that have not been provided for.

* Other receivables include amounts recognised on a business combination in relation to the Group's right to variable consideration on rolling contracts with customers for which the performance obligation was satisfied prior to the acquisition. These receivables are classified as fair value through profit or loss.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17 Cash generated from operations

Cash flows from operating activities	**Three months ended 31 March 2020 (unaudited) £000**	Restated* Three months ended 31 March 2019 (unaudited) £000
Loss for the period after tax	**(13,676)**	(22,358)
Depreciation of property, plant and equipment and right-of-use assets	**4,158**	6,077
Amortisation	**17,689**	18,749
Loss on disposal and impairment of non-financial assets	**399**	376
Other losses	**102**	6
Gain on disposal of business	**-**	(2,572)
Transaction costs on completed and aborted acquisitions accrued in the period	**615**	-
Transaction costs on completed and aborted acquisitions paid in the period	**(5)**	(3,559)
Finance costs - net of finance income	**26,982**	28,113
Investment income	**(522)**	(582)
Share of profit from associate and joint venture	**(480)**	(452)
Tax credit	**(83)**	(4,865)
Fair value loss on derivatives	**-**	593
Recycling to income statement from cash flow hedging reserve on forward contracts	**(447)**	(1,086)
(Increase)/decrease in trade and other receivables	**(22,436)**	25,432
Increase/(decrease) in trade and other payables	**9,656**	(107,809)
Increase in contract assets	**(15)**	(1,159)
Increase in other assets	**(1,171)**	(901)
Increase in contract liabilities	**431**	9,588
Effect of movements in exchange rates on cash held	**(7,219)**	3,618
Decrease in provisions	**(11,246)**	(4,159)
Net cash inflow/(outflow) from operations	**2,732**	(56,950)

* The Group has recognised a deferred tax asset in its consolidated financial statements in relation to interest that is subject to interest restriction tax regulations and certain other tax attributes. A deferred tax asset is recognised on the basis that future taxable profits will arise in the consolidated financial statements as a result of the unwind of the deferred tax liability that was already included in those financial statements in relation to intangible assets recognised on a business combination. The adjustment increases deferred tax assets in the statement of financial position by £34.7m as at 31 March 2019 (1 January 2019: £32.4m) and it increases the tax credit in the income statement for the three months ended 31 March 2019 by £2.3m.

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:

31 March 2020 (unaudited)	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit or loss				
UCIS recovered assets	-	-	27	27
Trade and other receivables	-	-	31,452	31,452
Cross-currency swaps used in cash flow hedges	-	26,473	-	26,473
Financial assets at fair value through other comprehensive income				
Unlisted investments	-	-	271	271
Total financial assets at fair value	-	26,473	31,750	58,223
Contingent consideration payable	-	-	(3,167)	(3,167)
Deferred proceeds	-	-	(15,000)	(15,000)
Forward contracts used in cash flow hedges	-	(7,462)	-	(7,462)
Cross-currency swaps used in cash flow hedges	-	(167)	-	(167)
Total financial liabilities at fair value	-	(7,629)	(18,167)	(25,796)
Net fair value	-	18,844	13,583	32,427

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18 Financial instruments *(continued)*

31 December 2019 (audited)	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit or loss				
UCIS recovered assets	-	-	36	36
Trade and other receivables	-	-	32,412	32,412
Cross currency swaps used in cash flow hedges	-	3,063	-	3,063
Forward contracts used in cash flow hedges	-	3,178	-	3,178
Financial assets at fair value through other comprehensive income				
Unlisted investments	-	-	271	271
Total financial assets at fair value	-	6,241	32,719	38,960
Contingent consideration payable	-	-	(3,167)	(3,167)
Deferred proceeds	-	-	(15,000)	(15,000)
Forward contracts used in cash flow hedges	-	(289)	-	(289)
Cross-currency swaps used in cash flow hedges	-	(21,411)	-	(21,411)
Total financial liabilities at fair value	-	(21,700)	(18,167)	(39,867)
Net fair value	-	(15,459)	14,552	(907)

The following valuation techniques are used for instruments categorised in Levels 2 and 3:

Derivative financial instruments (Level 2)
The Group's cross-currency swaps and forward contracts are categorised within level 2 of the fair value hierarchy. These contracts are not traded in an active market but the fair value is determined using valuation techniques that use available market data, such as forward exchange rates corresponding to the maturity of the contract observable at the consolidated statement of financial position date and an appropriate sector credit spread.

UCIS recovered assets (Level 3)
The UCIS recovered assets are held at their fair value and are categorised within level 3 of the fair value hierarchy. Where no professional valuation is available they are recognised at their published net asset value with an appropriate adjustment applied to the published unit price to reflect their illiquid nature and potentially lower net realisable value.

Trade and other receivables/contingent consideration receivable (Level 3)
Trade and other receivables include £0.3m (31 December 2019: £0.3m) at fair value in respect of contingent consideration receivable on the sale of URIS Group's claims business in 2018. This is categorised within level 3 of the fair value hierarchy with the valuation based on management's best estimate of the probability of the successful completion of the requirements set out in the sale and purchase agreement.

Also included in trade and other receivables at 31 March 2020 were assets at fair value through profit or loss that were recognised on a business combination in relation to the Group's right to variable consideration on rolling contracts with customers for which the performance obligation was satisfied prior to the acquisition. The fair value is a level 3 valuation and is calculated as the present value of future cash flows where those cash flows take into account expected cancellation rates and the life of the underlying insurance product.

18 Financial instruments *(continued)*

Contingent consideration payable and deferred proceeds (Level 3)
Trade and other payables include £18.2m (31 December 2019: £18.2m) which are measured as financial liabilities at fair value through profit or loss. As at 31 March 2020 the liabilities relate to performance related contingent consideration amounts on an acquisition made in 2017, the acquisition of an associate interest in Sino Insurance Brokers Limited in 2019 and the sale of the Group's 19.9% interest in Bravo (deferred proceeds). They are categorised within level 3 of the fair value hierarchy.

Techniques such as estimated discounted cash flows were used to determine their fair value in line with the calculation specified in the purchase agreement. Financial liabilities in respect of contingent consideration will only be written back if the Group receives confirmation from the vendor that there is no liability outstanding.

Unlisted investments at fair value through other comprehensive income (Level 3)
Unlisted investments are categorised within level 3 of the fair value hierarchy. The valuation technique applied is cost less any provision for impairment.

Fair value of financial instruments measured at amortised cost
The Directors consider the carrying amounts for trade and other receivables, trade and other payables and the current portion of financial liabilities that are not measured at fair value to approximate their fair values. The fair value of the Group's borrowings is disclosed in note 21.

Reconciliation of recurring fair value measurements within level 3

31 March 2020 (unaudited)	Financial liabilities at FVTPL £000	Financial assets at FVTPL £000	Financial assets at FVTOCI £000	Total £000
Start of the period	**(18,167)**	**32,448**	**271**	**14,552**
Gains and losses	**-**	**3,516**	**-**	**3,516**
Settlements	**-**	**(4,485)**	**-**	**(4,485)**
End of the period	**(18,167)**	**31,479**	**271**	**13,583**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19 Hedge accounting

Derivatives

The Group has economic hedge relationships that mitigate foreign exchange risk arising from its USD Notes and USD revenue. It applies hedge accounting for those hedge relationships that meet the hedge accounting criteria detailed in note 3 of the Group's Annual Consolidated Financial Statements. The Group manages all other risks associated with these exposures, such as credit risk, but it does not apply hedge accounting for those risks.

Derivatives are only used for hedging purposes. The Group has the following derivative financial instruments as at 31 March 2020:

	31 March 2020 (unaudited) £000	31 December 2019 (audited) £000
Non-current assets		
Forward contracts - cash flow hedges	**-**	1,635
Cross-currency swaps - cash flow hedges	**19,402**	74
Current assets		
Forward contracts - cash flow hedges	**-**	1,543
Cross-currency swaps - cash flow hedges	**7,071**	2,989
Current liabilities		
Forward contracts - cash flow hedges	**(3,919)**	-
Cross-currency swaps - cash flow hedges	**(167)**	(1,970)
Non-current liabilities		
Forward contracts - cash flow hedges	**(3,543)**	(289)
Cross-currency swaps – cash flow hedges	**-**	(19,441)
Net derivative financial instrument liabilities	**18,844**	(15,459)

See note 18 for information on fair values and the assumptions and methods used to measure fair value.

Cross-currency swaps

The Group issues foreign currency fixed rate notes for funding purposes. In accordance with its risk management strategy, the Group enters into cross currency swap contracts to mitigate 100% of the risk of fluctuation of coupon and principal cash flows due to changes in foreign currency rates of issued foreign currency debt. These instruments are entered into to match the maturity profile of estimated repayments of the Group's debt. The Group receives a USD coupon matching its interest obligations under the USD Notes, and it pays a fixed GBP coupon at specified half-yearly intervals (January and July).

The Group has designated the cross-currency swaps as cash flow hedge relationships to hedge against movements in USD.

Cross-currency swaps in place at 31 March 2020 covered 100% of the principal USD Notes outstanding and related interest obligations. The fixed interest rates of the swaps range between 7.3% and 9.2%.

Foreign exchange gains and losses arising between the timing of the receipt of the debt proceeds and placement and/or designation of the swap instruments are included as unrealised gains/losses in the period and recorded in finance costs in profit or loss.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19 Hedge accounting *(continued)*

Forward contracts

The Group enters into forward contracts to mitigate the exposure resulting from USD revenue arising on the placement of premiums denominated in USD, which is not the presentation currency nor functional currency of the Group.

Based on forecast transactions, the Group effectively sells accumulated USD revenue by reference to individual brokerage transactions. The Group's track record in receiving USD revenue from long established clients provides a high degree of confidence that forecast transactions are highly probable for hedge accounting purposes.

Hedging reserves

The following table provides a reconciliation of components of equity resulting from applying cash flow hedge accounting to derivatives that mitigate foreign exchange risk:

Three months ended 31 March 2020	**Cash flow hedging reserve £000**	**Costs of hedging reserve £000**
Start of the period	**1,128**	**678**
Changes in fair value recognised via other comprehensive income		
Cross-currency swaps	**47,320**	**(1,424)**
Forward contracts	**(10,563)**	**-**
Amounts reclassified to profit or loss		
Cross-currency swaps	**(37,674)**	**38**
Forward contracts	**(449)**	**-**
	(1,366)	**(1,386)**
Tax on movements on reserves	**238**	**247**
End of the period	**-**	**(461)**

The gain/(loss) included in the interim condensed consolidated statement of profit or loss and other comprehensive income during the three months ended 31 March 2020 in relation to items designated as hedging instruments, including hedge ineffectiveness, were as follows:

	Cross-currency swaps £000	**Forward contracts £000**
Amounts reclassified from other comprehensive income to profit or loss		
Commission and fees	**-**	**449**
Other operating costs	**-**	**-**
Finance costs	**37,636**	**-**
Hedge ineffectiveness		
Other operating costs	**-**	**(2)**
Finance costs	**292**	**-**
At 31 March 2020 (unaudited)	**37,928**	**447**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20 Trade and other payables

	31 March 2020 (unaudited) £000	31 December 2019 (audited) £000
Insurance creditors	**321,593**	312,201
Social security and other taxes	**20,821**	10,906
Other creditors	**34,072**	32,588
Contingent consideration payable	**1,062**	1,062
Deferred proceeds*	**15,000**	15,000
Deferred income	**377**	377
Accruals	**44,859**	56,153
Total current liabilities	**437,784**	428,287
Contingent consideration payable	**2,105**	2,105
Other financial liabilities	**30**	30
Other creditors	**10,509**	9,021
Total non-current liabilities	**12,644**	11,156

* On 19 January 2018, the Group disposed of its shareholding in Bravo Investments Holdings Limited (Bravo) to Nevada Investment Holdings 2 Limited (Nevada 2), which was then a related party of the Ardonagh Group due to common shareholders. Nevada 2 subsequently sold its shares in Bravo and its rights and obligations under the sale and purchase agreement to Nevada 4 Midco 1 Limited, a related party of the Group due to common shareholders. £30.0m cash was received on the disposal to Nevada 2. The cash received, plus a further £1.2m, is subject to a contingent clawback mechanism based on the equity value of Bravo on the settlement date. Following a 1 July 2019 amended agreement, the settlement date is a date between 19 January 2020 and 30 September 2020, at the election of Ardonagh, and settlement may be in cash or equity of the Company.

On 18 May 2020, the Group and Nevada 4 Midco 1 Limited boards amended their agreement so that the amount of the clawback is agreed to be £15m and so that it will be settled in a fixed number of shares in the Company and not in cash, where the settlement date continues to be a date on or before 30 September 2020 at the election of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21 Borrowings

	31 March 2020 (unaudited) £000	31 December 2019 (audited) £000
Interest payable	**20,655**	44,149
Secured loan and other borrowings	**67,759**	-
Total current borrowings	**88,414**	44,149
Senior Secured Notes	**1,128,981**	1,091,689
Total non-current borrowings	**1,128,981**	1,091,689

Senior secured notes comprise the following (excluding interest payable):

				31 March 2020		31 December 2019	
Date issued	Currency	Nominal interest rate	Year of maturity	Face value USD/£000	Carrying amount £000	Face value USD/£000	Carrying amount £000
26.06.2017	**GBP**	**8.375%**	**2023**	**400,000**	**393,502**	400,000	393,081
26.06.2017	**USD**	**8.625%**	**2023**	**520,000**	**413,180**	520,000	387,941
20.12.2017	**GBP**	**8.375%**	**2023**	**55,000**	**54,004**	55,000	53,940
18.11.2018	**USD**	**8.629%**	**2023**	**235,000**	**170,533**	235,000	159,000
08.06.2018	**GBP**	**8.375%**	**2023**	**98,300**	**97,762**	98,300	97,727
Total				**1,308,300**	**1,128,981**	1,308,300	1,091,689

Interest is payable on these notes in January and July of each year.

The Group hedges its foreign currency exposure from the senior secured notes as described in note 19.

The fair value of the senior secured notes as at 31 March 2020 and 31 December 2019, which is categorised within level 2 of the fair value hierarchy and is given for disclosure purposes only, is estimated as follows:

	Carrying amount £000	Fair value £000
Senior Secured Notes at 31 March 2020	**1,128,981**	**1,011,238**
Senior Secured Notes at 31 December 2019	1,091,689	1,117,571

On 26 September 2018, the Group's revolving credit facility (RCF) was amended and restated to include an additional £50.0m facility made available solely to provide a Letter of Credit ancillary facility for the same amount. On 5 October 2018, a letter of credit of £50.0m was issued for the benefit of specified entities within the Group solely to provide credit support in respect of potential redress liabilities relating to the sale of certain enhanced transfer value (ETV) products. See note 22 for further information relating to ETV redress liabilities.

With effect from 1 December 2019, the contractual limitation on the amount that may be utilised of the Group's RCF was removed. On 18 March 2020 the RCF facility capacity was extended from £120m to £170m. £45m was drawn on 13 January 2020 and a further £25m on 21 February 2020 leaving £100m undrawn. Permissible RCF drawings are limited by the Group's credit facility basket.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22 Provisions

The Group held the following provisions as at 31 March 2020:

	ETV £000	Run off £000	LTIP £000	Litigation matters £000
Start of the period	**47,572**	**2,269**	**312**	**4,591**
Additional provisions made during the period	**-**	**-**	**66**	**195**
Transferred to other debtors/creditors	**-**	**-**	**201**	**-**
Utilised during the period	**(9,056)**	**(862)**	**-**	**(474)**
Unused amounts reversed during the period	**-**	**-**	**(16)**	**-**
End of the period	**38,516**	**1,407**	**563**	**4,312**

	Future renewal scheme £000	Property £000	Branch closure £000	Other £000	Total £000
Start of the period	**7,381**	**10,589**	**564**	**1,830**	**75,108**
Additional provisions made during the period	**74**	**9**	**-**	**52**	**396**
Transferred to other debtors/creditors	**(245)**	**-**	**-**	**-**	**(44)**
Utilised during the period	**-**	**(409)**	**(190)**	**(538)**	**(11,529)**
Unused amounts reversed during the period	**-**	**(17)**	**(8)**	**(29)**	**(70)**
End of the period	**7,210**	**10,172**	**366**	**1,315**	**63,861**

The Group discounts provisions to their present value, where appropriate. The unwinding of the provision discounting is included as an interest charge within finance costs in the interim condensed consolidated statement of profit or loss and other consolidated income.

Analysis of total provisions	**31 March 2020 (unaudited) £000**	31 December 2019 (audited) £000
Non-current - to be utilised in more than one year	**14,914**	14,457
Current - to be utilised within one year	**48,947**	60,651
	63,861	75,108

22 Provisions *(continued)*

Enhanced Transfer Values (ETV) and run off costs provision

Certain subsidiaries within the Group have obligations to make redress payments in respect of past pension transfer advice. As reported in previous financial statements, management established a provision initially of £51m for the estimated total cost of redress following progress with a client contact programme that enabled the ETV population to be refined, the FCA publishing revised guidance on the calculation of redress and commencement of file reviews. Management also explained they had obtained independent actuarial input into estimating average redress amounts and specialist input for a sample of cases to estimate suitability rates to help inform the estimated cost of redress. In view of the estimation uncertainty in key assumptions, including those for average redress costs and the suitability rate, management acknowledged and disclosed that the ultimate cost could vary materially from the £51m estimate, that the provision would be updated based on experience gained as the redress programme progressed and that the Group's 'going concern' assessment scenarios included up to a 40% deterioration in the quantum of the ETV liabilities as well as a possible acceleration of the settlement profile of the redress cases. At half year 2019 management explained the redress programme was expected to be substantially complete by the end of 2020.

The main redress programme commenced in the third quarter of 2019 and the estimate for the overall cost of redress was increased to £63.5m at 31 December 2019, which remains unchanged at Q1 2020 based on the settlement experience and additional case reviews progressing to settlement during Q2 2020. The provision of £47.6m at 31 December 2019 has reduced to £38.5m after allowing for the payments made during Q1 2020 (£36.6m after allowing for a further £1.9m of payments made since 31 March 2020 at the time of signing this report).

Overall the experience to date remains broadly supportive of previous estimates of average redress costs per case, with continued uncertainty regarding the number of cases that will ultimately be found to require redress as a result of unsuitable advice. Other sources of uncertainty may include changes in economic inputs over the period of the redress programme, potential variances in redress methodology and any future changes in the ETV population.

Management still expect the redress programme to be substantially complete by the end of 2020. Based on the progress made and reducing levels of estimation uncertainty, the Group continues to include in its 'going concern' stress and sensitivity scenarios a deterioration of up to 15% (31 December 2019: 15%) in the estimated quantum of the ETV liabilities as well as a possible acceleration of the settlement profile. As the programme progresses, the results of case reviews will continue to be used to further inform and update the provision as required.

The costs of the review activities are provided for separately within the run-off provision. The balance of the run-off provision as at 31 March 2020 is £1.4m.

LTIP, litigation matters, future renewal scheme, property, branch closures and other provisions
The Group's Annual Consolidated Financial Statements for the year ended 31 December 2019 contains further details of these provisions.

23 Share capital and premium

	Number of shares authorised (thousands)	Number of shares issued (thousands)	Ordinary shares £000	Share premium £000	Total £000
At 1 January 2020	**880,000**	**732,985**	**7,331**	**740,886**	**748,217**
At 31 March 2020	**880,000**	**742,340**	**7,425**	**751,583**	**759,008**
At 1 January 2019	880,000	682,495	6,826	674,391	681,217
At 31 December 2019	880,000	732,985	7,331	740,886	748,217

On 6 March 2020, the Group completed purchase of A shares in Atlanta Investment Holdings 3 Limited from non-controlling interests in exchange for cash and issuance of 9,355,019 ordinary shares in The Ardonagh Group Limited (see note 11).

24 Related party transactions

During the period, the Group purchased shares from non-controlling interests (see note 11).

25 Subsequent events

On 31 January 2020, the Group exchanged contracts in relation to its intention to purchase the entire issued share capital of a target company registered in Ireland for EUR 25.2m, completion of which is conditional upon certain conditions relating to the regulated status of the business. On 18 May 2020, the board of the Company approved the assignment of this SPA from the Group to Arachas Topco Limited, so that the latter is the purchaser. The form of assignment of the SPA has not yet been finalised with the sellers of the target company. Assignment will take place prior to completion of the transaction.

On 24 April 2020, the Group purchased the entire issued share capital of Edwards & Swan Insurance Limited. The consideration paid was £0.7m cash and deferred contingent consideration with a fair value of £0.1m.

On 18 May 2020, the Group and Nevada 4 Midco 1 Limited boards approved an amendment to their agreement so that the amount of the clawback is agreed to be £15m and so that it will be settled in a fixed number of shares in the Company and not in cash, where the settlement date continues to be a date on or before 30 September 2020 at the election of the Group.

SECTION 3

OTHER UNAUDITED FINANCIAL INFORMATION

FOR THE THREE MONTHS ENDED 31 MARCH 2020

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 presented within the Pro Forma results.

This section also includes a reconciliation of The Ardonagh Group Limited's consolidated Pro Forma Group results to Ardonagh Midco 3 plc's consolidated Pro Forma results. Ardonagh Midco 3 plc is the Group Company that issued the Notes. The provision of certain financial information relating to Ardonagh Midco 3 plc and its subsidiaries in this Report to Investors is required by the bond indenture related to the Notes and the RCF agreement.

OTHER UNAUDITED FINANCIAL INFORMATION

RECONCILIATION OF REPORTED RESULTS TO PRO FORMA FOR COMPLETED TRANSACTIONS RESULTS AND MIDCO 3 RESULTS
FOR THE THREE MONTHS ENDED 31 MARCH 2020

	Ardonagh Group Reported £000	Pro Forma disposal adjust-ments £000	Pro Forma acquisition adjust-ments £000	Pro Forma debt adjust-ments £000	Pro Forma Ardonagh Group £000	Ardonagh Group to Ardonagh Midco 3 plc adjustments £000	Pro Forma Ardonagh Midco 3 plc £000
Commission and fees	**155,219**		**650**		**155,869**	**-**	**155,869**
Other income	**4,087**		**-**		**4,087**	**-**	**4,087**
Investment income	**522**		**-**		**522**	**-**	**522**
Salaries and associated costs	**(75,113)**		**(388)**		**(75,501)**	**147**	**(75,354)**
Other operating costs	**(48,095)**		**404**		**(47,691)**	**792**	**(46,899)**
Impairment of financial assets	**(2,081)**		**-**		**(2,081)**	**-**	**(2,081)**
Depreciation, amortisation and impairment of non-financial assets	**(21,796)**		**(115)**		**(21,911)**	**-**	**(21,911)**
Fair value loss on derivatives	**-**		**-**		**-**	**-**	**-**
Share of profit from joint venture	**372**		**-**		**372**	**-**	**372**
Share of profit from associate	**108**		**-**		**108**	**-**	**108**
Operating profit	**13,223**	**-**	**551**	**-**	**13,774**	**939**	**14,713**
Adjustment to gain on disposal of business	**-**		**-**		**-**	**-**	**-**
Finance costs	**(27,209)**		**-**		**(27,209)**	**-**	**(27,209)**
Finance income	**227**		**-**		**227**	**-**	**227**
Loss before tax	**(13,759)**	**-**	**551**	**-**	**(13,208)**	**939**	**(12,269)**
Tax credit	**83**		**19**		**102**	**-**	**102**
Loss for the period	**(13,676)**	**-**	**570**	**-**	**(13,106)**	**939**	**(12,167)**

OTHER UNAUDITED FINANCIAL INFORMATION

RECONCILIATION OF REPORTED RESULTS TO PRO FORMA FOR COMPLETED TRANSACTIONS RESULTS AND MIDCO 3 RESULTS
FOR THE THREE MONTHS ENDED 31 MARCH 2019

	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	Ardonagh Group to Ardonagh Midco 3 plc adjustments £000	Pro Forma Ardonagh Midco 3 plc £000
Commission and fees	151,920	-	2,193		154,113	-	154,113
Other income	4,503	-	-		4,503	-	4,503
Investment income	582	-	-		582	-	582
Salaries and associated costs	(78,141)	-	(1,260)		(79,401)	183	(79,218)
Other operating costs	(53,484)	-	(424)		(53,908)	116	(53,792)
Impairment of financial assets	(2,095)	-	-		(2,095)	-	(2,095)
Depreciation, amortisation and impairment of non-financial assets	(24,826)	-	(430)		(25,256)	-	(25,256)
Fair value gain on derivatives	(593)	-	-		(593)	-	(593)
Share of profit from joint venture	452	-	-		452	-	452
Operating loss	(1,682)	-	79	-	(1,603)	299	(1,304)
Adjustment to gain on disposal of business	2,572	(2,572)	-		-	-	-
Finance costs	(28,658)	-	-		(28,658)	-	(28,658)
Finance income	545	-	-		545	-	545
Loss before tax	(27,223)	(2,572)	79	-	(29,716)	299	(29,417)
Tax credit*	4,865	-	51		4,916	-	4,916
Loss for the period	(22,358)	(2,572)	130	-	(24,800)	299	(24,501)

* Restated tax credit. See footnote on the interim condensed consolidated statement of profit or loss and other comprehensive income.

OTHER UNAUDITED FINANCIAL INFORMATION

RECONCILIATION OF LOSS FOR THE PERIOD TO ADJUSTED EBITDA
FOR THE THREE MONTHS ENDED 31 MARCH 2020

	Reported		Pro Forma for Completed Transactions	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Loss for the period	**(13,676)**	(22,358)	**(13,106)**	(24,800)
Eliminate:				
Items excluded from EBITDA				
Finance costs	**27,209**	28,658	**27,209**	28,658
Tax credit	**(83)**	(4,865)	**(102)**	(4,916)
Depreciation, amortisation and impairment of non-financial assets	**21,796**	24,826	**21,911**	25,256
Loss from disposal of non-financial assets	**449**	376	**449**	376
Foreign exchange movements	**(767)**	1,486	**(767)**	1,486
EBITDA	**34,928**	28,123	**35,594**	26,060
Eliminate:				
Items excluded from Adjusted EBITDA				
Transformational hires	**945**	1,472	**945**	1,472
Business transformation costs	**4,883**	10,777	**4,883**	10,777
Legacy costs	**642**	1,870	**642**	1,880
Other costs	**930**	-	**930**	-
Regulatory costs	**33**	261	**33**	261
Acquisition and financing costs	**1,217**	(622)	**700**	(622)
Gain on disposal of business	**-**	(2,572)	**-**	-
Adjusted EBITDA	**43,578**	39,309	**43,727**	39,828

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 Cash
Total unrestricted own funds plus ETV restricted funds.

Available Liquidity
Available Cash plus Available RCF (Revolving Credit 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 from 1 January 2019 effective interest on lease liabilities), tax, depreciation (including with effect from 1 January 2019, 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), foreign exchange movements and dividends received.

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 Period).

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
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's Board to make decisions about resources to be allocated to the segment and 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 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 and process improvements in financial, cash and liquidity reporting, and from commercial disputes.

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

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