

Interim results for the 6 months ended 30 June 2019

The Board of Randall & Quilter Investment Holdings Ltd. (AIM-RQIH), the specialist non-life Legacy insurance investor and capacity provider to the US and European MGA Business, announces the Group's interim results for the 6 months ended 30 June 2019.

Financial Highlights

- Pre tax profit £33.1m (H1 2018 continuing: £7.8m).
- Earnings per share (basic) 19.2p (H1 2018 continuing: 3.6p).
- 13% increase in net tangible assets per share to 133.2p (H1 2018: 117.6p).
- Proposed interim distribution per share of 3.8p (H1 2018: 3.6p).
- Return on tangible equity 12.5% (H1 2018: 6.8%).
- Oversubscribed new share issue in March 2019 of £103.5m (after costs and expenses).

Operational Highlights

- Completed the acquisition of Global Re for \$80.5m – our largest ever legacy transaction.
- Agreed acquisition of Sandell Re for \$25m, subject to regulatory approval. Once completed, this Legacy acquisition will contribute to the 2019 full year result.
- Completion of five new Legacy acquisitions and three Legacy reinsurances in the half year.
- Launch of 10 new Program Management contracts in the USA and Europe.
- Estimated future gross written premium of approaching \$800m per annum from program contracts secured to date.
- Excellent pipeline of new business opportunities in both Legacy and Program Management.
- New leadership structure announced with Dr Roger Sellek and Alan Quilter (R&Q co-founder) appointed as Joint Group CEOs. Ken Randall continues as Executive Group Chairman.

Group Summary Financial Performance

Group Results £'000	1HY 2019	FY 2018	1HY 2018
Operating profit (continuing)	37,668	18,596	10,140
Profit before tax (continuing)	33,087	14,251	7,780
Profit before tax	33,087	11,693	5,527
Profit after tax	32,600	7,822	4,974
Earnings per share (basic)	19.2p	5.8p	3.6p
Balance sheet information			
Total Assets	1,562,258	1,197,573	1,138,108

Cash and investments	728,915	638,672	584,163
Total gross reserves	942,250	699,078	769,059
Amounts owed to credit institutions	106,614	140,243	73,223
Shareholders' equity	302,019	175,638	167,490
Key statistics			
Investment return	2.3%	1.2%	0.7%
Return on tangible equity	12.5%	5.0%	6.8%
Net tangible assets per share	133.2p	123.6p	117.6p
Net assets value per share	154.2p	139.4p	133.0p
Distribution per share <i>*interim</i>	3.8p*	9.2p	3.6p*

Commenting on the results for the half year, Ken Randall, Executive Group Chairman said:

"I am pleased to report a set of results reflecting both an outstanding financial performance and continuing delivery against our strategy.

The Group has achieved more than a four fold increase in pre- tax profits for continuing operations compared to the same period in 2018. As expected these excellent results reflect the completion of Legacy deals that were carried over from 2018 – notably the acquisition of GLOBAL U.S. Holdings, Inc. and its subsidiary GLOBAL Reinsurance Corporation of America ("Global Re") and retro-active reinsurance of Schools Association for Excess Risk ("SAFER").

The H1 Results have also been enhanced by a strong investment performance with total income of £16m against only £5.4m for the whole of 2018.

Our Program Management Business is growing strongly as we continue to expand our relationships with business producers and mainstream reinsurers and we have good visibility of future commission earnings. The onboarding process for newly agreed programs in Europe is a little slower than we had originally expected, however, the Program segment of our business is expected to move into profit by the middle of 2020 with anticipated strong earnings growth thereafter.

Our traditional Legacy business continues to thrive with five Legacy acquisitions and three Legacy reinsurances completed in the period. We are seeing a growing number of larger deal opportunities as the demand for Legacy solutions continues to grow.

The investment markets were positive in the first half year, enabling us to recover all unrealised losses sustained in the final weeks of 2018. We continue to invest in high grade securities and the growth in our insurance float (£729m at 30 June 2019 vs £584m a year earlier) should ameliorate some of the impact of declining interest rates over the longer term.

The investment result for the first half of 2019 was an average yield of 2.3% against just 0.7% at the same stage in 2018. We have overhauled our investment portfolio by disposing of almost all equity investments, rationalising our third party investment managers and reducing investment management expenses.

We have announced changes in our leadership team with the recruitment of Dr Roger Sellek, who has joined from AM Best, and the promotion of Alan Quilter as Joint Group CEO's. I shall continue in the role of Executive Group Chairman. Freed of day to day operational responsibility, I shall be focusing on the strategic development and expansion of the Group.

The business continues to perform well with an excellent pipeline of new opportunities in both Legacy and Program Management. The Board expects that full year results for 2019 will be in line with market expectations and we remain very positive about our medium and long term prospects, which will benefit from the emerging profits from

our fast growing Program Management business.

Whilst the final outcome of Brexit remains unclear, we believe the preparation and plans we have put in place will enable the Group's European business to continue without material interruption in all likely scenarios, including a 'no deal' Brexit. Our large concentration of US dollar revenues and net assets provides a good measure of protection in the event of ongoing sterling weakness.

Michael Smith has retired from the Board having served as a non-executive Director since the Group's initial listing on AIM. We wish him a long and healthy retirement and I am personally grateful for his support and wise counsel."

ENDS

CHAIRMAN'S STATEMENT

Financial Results

We are delighted to report a six fold increase in our after tax profits for continuing operations and growth in excess of 500% in earnings per share compared to the first half of 2018.

This was an exceptional six months for the Group. As expected, profits have been bolstered by a significant contribution from the acquisition of Global Re and a Legacy reinsurance of SAFER, which were both carried over from 2018. The interim result also reflects substantially increased investment earnings on our growing insurance float. The Group balance sheet has strengthened considerably following the successful fund raise in March 2019, the proceeds of which are being used to support our Program Management business and allow us to continue to focus on larger Legacy transactions. Net assets at 30 June 2019 were £302m against £176m at 31 December 2018.

Our growing Program Management operation now trades under the "Accredited" brand in both Europe and the USA. Our aim is to satisfy the growing demand in both Europe and the US from Managing General Agents ("MGAs"), who generate and service the business, for highly rated Program insurance carriers which are able to provide a full range of insurance licenses, and which act as the conduit between each MGA and the reinsurance market. R&Q's owned Insurance Companies have enjoyed an AM Best A- (Excellent) financial strength rating for some time, and earlier this year we also achieved an increase in the financial size category from AM Best reflecting the increased strength of our balance sheet. This has already proved to be an additional attraction to MGAs and their producing Brokers when they are assessing the appointment of the Accredited companies as Program partners.

Legacy

In previous reports, we have commented on the transactional nature of legacy acquisitions and the difficulty of predicting with certainty when transactions will actually complete, especially when they are – quite properly – the subject of rigorous regulatory scrutiny. The acquisition of Global Re is an excellent example, where we initially anticipated the deal would complete in 2018, but in fact completion was not achieved until May 2019 with the financial benefits for the Group therefore delayed until 2019.

Our pipeline of transactions remains strong and we anticipate completing a number of further acquisitions and reinsurances in the second half year including the (already announced) Bermudian reinsurer, Sandell Re, for which we are awaiting regulatory approval.

We continue to explore potential "side-car" arrangements with third party capital to finance larger acquisitions where we believe R&Q's originating and structuring skills are attractive to third party investors seeking exposure to discontinued non-life insurance business.

Legacy market conditions remain positive, with the owners of discontinued insurance business exploring efficient ways to offload their Legacy portfolios. The European-wide Solvency II regulations and the associated

“equivalence” regimes means Legacy business can give rise to onerous capital and reporting obligations for incumbent insurers, even though they no longer actively participate in such business. In addition, we benefit from reorganisations occurring in response to US tax reforms and OECD tax policies which can have a significant impact on some self-insurance entities, especially those that are domiciled offshore.

There are increasing, and sometimes large, opportunities emerging where insurers decide to sell off Legacy portfolios in order to free up capital to support their ongoing business. Last year saw an increased number of major merger announcements and we expect this trend to continue. Such business combinations frequently give rise to Legacy opportunities following the post-merger rationalisation process.

The run-off of our Group’s existing Legacy portfolios has continued without any major surprises in H1. Our annual in-depth actuarial reviews are commissioned towards the end of the financial year. As expected our interim assessment at 30 June has not indicated any significant adverse trend nor have we identified any significant reserve redundancy, reflecting the significant credit taken for reserve savings in the 2018 results.

Program Management (Accredited)

Our Program Management Division – Accredited – continued to grow strongly in the first half of the year both in the US and Europe as our strengthened balance sheet, high governance standards, AM Best A- (Excellent) financial strength ratings and comprehensive range of insurance licenses continued to attract MGAs seeking a program partner.

MGAs remain a popular platform for insurance entrepreneurs, but they require the support of a Program insurance carrier with the required insurance licenses and high quality credit rating in the markets in which they underwrite.

Our USA domiciled company, Accredited Surety and Casualty, Inc. and its European sister company, Accredited Insurance (Europe) Limited (domiciled in Malta), are able to meet these needs and provide high quality oversight through monitoring claims and back office processes, corporate governance and regulatory compliance.

In some jurisdictions, especially in Europe, Accredited has benefited from the retrenchment of a number of former Program specialists as a consequence of their weak balance sheets, low credit ratings and inferior underwriting standards. Although there are noteworthy competitors, the quality of the support we provide, our balance sheet strength and market knowledge are proving to be attractive. There are significant barriers to entry and we continue to get a good show of new business opportunities and are able to be selective as to those MGAs we support and the classes of business we underwrite.

From the Group’s perspective, the earnings profile of the Program commissions gives us good visibility of future earnings, which complements the less predictable (“lumpy”) earnings from R&Q’s Legacy acquisitions business. Our approval process for new business is intensive and requires a comprehensive and lengthy “diligence” review and, in addition, we must meet the requirements of the applicable regulatory authorities. Consequently it can take many weeks or even months between agreeing the outline terms with a new MGA and the business being able to launch and generate premium income.

In 2018 we reported that Accredited had contracted with MGAs with expected future premium income of approximately \$500m per annum. Estimated contracted future business has now reached in excess of \$800m per annum and we anticipate this will grow to more than \$1bn per annum during 2020. As explained, we have invested heavily to ensure that we have the necessary infrastructure and staff to support this high growth and there is an inevitable deferral before we are able to take full credit for the earned commissions – although the nature of the earnings profile means that we have good visibility of future commission earnings over the next two years. We anticipate the Group’s Program business will move into profit in the middle of 2020 with earnings growing strongly thereafter.

As regards Brexit, we have established a UK branch of our Maltese entity which will enable us to continue underwriting and servicing UK business. The Malta Home Office operation will continue to support our clients in all remaining EU Member States in the event of a hard Brexit scenario.

External Borrowing

In December 2018 the Group raised \$70m through the issue of ten year subordinated loan notes. We have also negotiated increased borrowing facilities with Royal Bank of Scotland, which are available to support further Legacy acquisition activity. In addition we continue to explore the option of negotiating “side-car” arrangements with third party capital which may be appropriate for larger size transactions. Our debt/equity ratio at 30 June 2019 was 26%.

Investment Income

Since December 2018, our investment portfolio has performed strongly. Investment income was £16.0m in H1 2019, compared to £5.4m for the whole of 2018. Cash and investments have increased by £90m since 31st December 2018 to £729m, representing an investable asset ratio of 2.4 times group equity.

The investment performance was driven largely by a combination of the strong recovery of our equity portfolio, which we have since exited, and yields falling following the market’s flight to safety over concerns of a global slowdown, Brexit and the US-China trade war. We benefitted particularly from our Treasury holdings and the long-dated investment portfolio we acquired as part of the Global Re acquisition.

We have successfully ramped up the Global Re portfolio and realigned the book, which added \$115m to the Group’s cash and investments, net of purchase price. We anticipate further increases in cash and investments from legacy deals in H2 2019. Investment income is an increasingly important part of our returns mix as we move into the larger legacy deal space and we have the opportunity to increase the investment returns on the portfolios we acquire.

Our process of rationalising our investment managers is nearing completion and we expect to benefit from better gross returns and lower investment fees going forward. We are focused on capital preservation and absolute return. As such, if we are not being paid to take risk then we will not take it just to chase yield. Our portfolio still contains a large proportion of cash and T-bills as we keep our powder dry for attractive opportunities and we believe we are well positioned to do so.

We expect a good performance in H2 2019, albeit at a lower percentage return compared to H1 2019.

Return of Capital

The Board is recommending an interim distribution of 3.8p per share which will be payable on 9 October 2019. In line with existing policy, this is an increase of 0.2p over the amount paid in 2018.

Management Succession and Staffing

We have announced changes to the Group’s leadership team with the appointment of Dr Roger Sellek (who has joined us from AM Best, the well-known insurance credit rating agency), and Alan Quilter as joint Group CEOs. Roger and Alan will be jointly responsible for the day to day running of the business whilst I will continue as Executive Chairman and will be focusing on the strategic development and expansion of the Group. We already have good “bench strength” within the senior management team, but we expect to make additional senior appointments in the course of the next year or so to ensure that we have adequate resources to manage the expected expansion of the Group’s business.

The Board

Michael Smith has decided to retire from the Board having served as a Non-Executive Director since the Group’s admission to AIM in 2007. As already announced, Jo Fox has been appointed as a Non-Executive Director. The

Board is giving active consideration to the addition of a further Non-Executive Director.

Outlook

We have successfully re-engineered the R&Q business over the last three years to enable the Group to focus on Legacy and Program Management. We have a reputation in Legacy stretching back almost three decades and we have quickly established a meaningful presence in Program Management in both Europe and the US. The business has the infrastructure, management and technical capacity to handle further expansion and we believe there are excellent growth opportunities in each of our core business segments.

The Board is pleased with the progress we have made over the last three years with the simplification of our business and believes that the Group is very well positioned to exploit exciting prospects for future growth.

K E Randall Executive Chairman

Condensed Consolidated Income Statement for the six months ended 30 June 2019

	Note	Six months ended 30 June 2019 (unaudited) £000	Six months ended 30 June 2018 (unaudited) £000	Year ended 31 December 2018 (audited) £000
Continuing operations				
Gross premiums written		226,062	157,643	183,838
Reinsurers' share of gross premiums		(138,262)	(45,278)	(118,928)
Premiums written, net of reinsurance		87,800	112,365	64,910
Change in gross provision for unearned premiums		(55,755)	(13,638)	(42,044)
Change in provision for unearned premiums, reinsurers' share		58,722	14,801	40,583
Net change in provision for unearned premiums		2,967	1,163	(1,461)
Earned premiums net of reinsurance		90,767	113,528	63,449
Investment income	6	16,030	2,620	5,430
Other income		4,412	5,738	11,960
		20,442	8,358	17,390
Total income	3	111,209	121,886	80,839
Gross claims paid		(88,207)	(77,989)	(161,360)
Reinsurers' share of gross claims paid		58,165	36,472	106,238
Claims paid, net of reinsurance		(30,042)	(41,517)	(55,122)
Movement in gross technical provisions		(80,568)	(16,483)	69,579
Movement in reinsurers' share of technical provisions		32,160	(8,904)	(3,759)
Net change in provision for claims		(48,408)	(25,387)	65,820
Net insurance claims incurred		(78,450)	(66,904)	10,698
Operating expenses		(37,144)	(45,164)	(77,294)
Result of operating activities before goodwill on bargain purchase and impairment of intangible assets	3	(4,385)	9,818	14,243
Goodwill on bargain purchase		42,858	1,173	5,997
Amortisation and impairment of intangible assets		(805)	(851)	(1,644)
Result of operating activities		37,668	10,140	18,596
Finance costs		(4,581)	(2,360)	(4,345)
Profit from continuing operations before income taxes		33,087	7,780	14,251
Income tax charge	7	(487)	(778)	(3,946)

Profit for the period from continuing operations	3	32,600	7,002	10,305
Loss for the period from discontinued operations	4	-	(2,028)	(2,483)
Profit for the period		32,600	4,974	7,822
Attributable to equity holders of the parent:-				
Attributable to ordinary shareholders		32,704	4,508	7,341
Non-controlling interests		(104)	466	481
		32,600	4,974	7,822
Earnings per ordinary share from continuing and discontinued operations:-				
Basic		19.2p	3.6p	5.8p
Diluted		<u>19.2p</u>	<u>3.6p</u>	<u>5.8p</u>
Earnings per ordinary share from continuing operations:-				
Basic	9	19.2p	5.2p	7.8p
Diluted	9	<u>19.2p</u>	<u>5.2p</u>	<u>7.8p</u>

The accompanying notes form an integral part of these Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 June 2019

	Six months ended 30 June 2019 (unaudited) £000	Six months ended 30 June 2018 (unaudited) £000	Year ended 31 December 2018 (audited) £000
Other comprehensive income:-			
Items that will not be reclassified to profit or loss:			
Pension scheme actuarial (losses)/gains	(1,131)	458	4,661
Deferred tax on pension scheme actuarial losses/(gains)	<u>192</u>	<u>(78)</u>	<u>(792)</u>
	(939)	380	3,869
Items that may be subsequently reclassified to profit or loss:-			
Exchange gains on consolidation	<u>1,997</u>	<u>2,622</u>	<u>8,809</u>
Other comprehensive income	1,058	3,002	12,678
Profit for the period	32,600	4,974	7,822
Total comprehensive income for the period	<u>33,658</u>	<u>7,976</u>	<u>20,500</u>
Attributable to:-			
Equity holders of the parent	33,769	7,492	19,985
Non-controlling interests	<u>(111)</u>	<u>484</u>	<u>515</u>
Total comprehensive income for the period	<u>33,658</u>	<u>7,976</u>	<u>20,500</u>

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Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2019

	Attributable to equity holders of the Parent						
	Share capital £000	Share premium £000	Foreign currency translation reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total £000
Six months ended 30 June 2019							
At beginning of period	2,520	51,135	9,273	112,710	175,638	349	175,987
Profit for the period	-	-	-	32,704	32,704	(104)	32,600
Other comprehensive income							
Exchange gains/(losses) on consolidation	-	-	2,004	-	2,004	(7)	1,997
Pension scheme actuarial losses	-	-	-	(1,131)	(1,131)	-	(1,131)
Deferred tax on pension scheme actuarial losses	-	-	-	192	192	-	192
Total other comprehensive income for the period	-	-	2,004	(939)	1,065	(7)	1,058
Total comprehensive income for the period	-	-	2,004	31,765	33,769	(111)	33,658
Transactions with owners							
Share based payments	-	138	-	-	138	-	138
Issue of shares	1,398	102,047	-	-	103,445	-	103,445
Issue of AB shares	10,971	(10,971)	-	-	-	-	-
Cancellation of AB shares	(10,971)	-	-	-	(10,971)	-	(10,971)
At end of period	3,918	142,349	11,277	144,475	302,019	238	302,257

Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2018

	Attributable to equity holders of the parent						
	Share capital £000	Share premium £000	Foreign currency translation reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total £000
Six months ended 30 June 2018							
At beginning of period	2,517	62,257	901	101,097	166,772	(166)	166,606
Profit for the period	-	-	-	4,508	4,508	466	4,974
Other comprehensive income							
Exchange gains on consolidation	-	-	2,604	-	2,604	18	2,622
Pension scheme actuarial gains	-	-	-	458	458	-	458
Deferred tax on pension scheme actuarial gains	-	-	-	(78)	(78)	-	(78)
Total other comprehensive income for the period	-	-	2,604	380	2,984	18	3,002
Total comprehensive income for the period	-	-	2,604	4,888	7,492	484	7,976
Transactions with owners							
Issue of shares	1	23	-	-	24	-	24
Issue of Z shares	6,798	(6,798)	-	-	-	-	-
Cancellation of Z shares	(6,798)	-	-	-	(6,798)	-	(6,798)
At end of period	2,518	55,482	3,505	105,985	167,490	318	167,808

The accompanying notes form an integral part of these Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Changes in Equity for the year ended 31 December 2018

	Attributable to equity holders of the parent							
	Share capital £000	Share option costs £000	Share premium £000	Foreign currency translation reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total £000

Year ended 31 December 2018

At beginning of year	2,517	-	62,257	901	101,097	166,772	(166)	166,606
Profit for the year	-	-	-	-	7,341	7,341	481	7,822
Other comprehensive income								
Exchange gains on consolidation	-	-	-	8,372	403	8,775	34	8,809
Pension scheme actuarial gains	-	-	-	-	4,661	4,661	-	4,661
Deferred tax on pension scheme actuarial gains	-	-	-	-	(792)	(792)	-	(792)
Total other comprehensive income for the year	-	-	-	8,372	4,272	12,644	34	12,678
Total comprehensive income for the year	-	-	-	8,372	11,613	19,985	515	20,500
Transactions with owners								
Share based payments	-	-	212	-	-	212	-	212
Issue of shares	3	-	-	-	-	3	-	3
Issue of Z & AA shares	11,334	-	(11,334)	-	-	-	-	-
Cancellation of Z & AA shares	(11,334)	-	-	-	-	(11,334)	-	(11,334)
At end of year	2,520	-	51,135	9,273	112,710	175,638	349	175,987

The accompanying notes form an integral part of these Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Financial Position as at 30 June 2019

Company number 47341

	Note	30 June 2019 (unaudited) £000	30 June 2018 (unaudited) £000	31 December 2018 (audited) £000
Assets				
Intangible assets		41,161	19,430	19,974
Property, plant and equipment		905	680	577
Right of use assets		2,690	-	-
Investment properties		1,520	1,930	1,881
Financial instruments		455,418	439,884	401,749
Reinsurers' share of insurance liabilities	8	409,859	261,727	300,357
Current tax assets		1,635	6,480	191
Deferred tax assets		5,351	6,437	3,205
Insurance and other receivables		370,222	257,261	232,716
Cash and cash equivalents		273,497	144,279	236,923
Total assets		1,562,258	1,138,108	1,197,573
Liabilities				
Insurance contract provisions	8	942,250	769,059	699,078
Financial liabilities		107,859	74,307	141,382
Deferred tax liabilities		7,645	7,355	3,449
Insurance and other payables	10	195,111	101,214	168,488
Current tax liabilities		452	7,447	2,323
Pension scheme obligations		6,684	10,918	6,866
Total liabilities		1,260,001	970,300	1,021,586
Equity				
Share capital		3,918	2,518	2,520
Share premium		142,349	55,482	51,135
Foreign currency translation reserve		11,277	3,505	9,273
Retained earnings		144,475	105,985	112,710
Attributable to equity holders of the parent		302,019	167,490	175,638
Non-controlling interests in subsidiary undertakings		238	318	349
Total equity		302,257	167,808	175,987

Total liabilities and equity	1,562,258	1,138,108	1,197,573
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The Condensed Consolidated Financial Statements were approved by the Board of Directors on 5 September 2019 and were signed on its behalf by:

K E Randall

A K Quilter

The accompanying notes form an integral part of these Condensed Consolidated Financial Statements.

Condensed Consolidated Cash Flow Statement as at 30 June 2019

	Six months ended 30 June 2019 (unaudited) £000	Six months ended 30 June 2018 (unaudited) £000	Year ended 31 December 2018 (audited) £000
Cash flows from operating activities			
Profit for the period	32,600	4,974	7,822
Tax included in consolidated income statement	487	553	3,871
Finance costs	4,581	2,360	4,345
Depreciation and impairments	1,026	155	335
Share based payments	138	23	212
Loss on divestment	-	215	215
Goodwill on bargain purchase	(42,858)	(1,173)	(5,997)
Amortisation and impairment of intangible assets	805	851	1,644
Fair value (gain)/loss on financial assets	(8,855)	1,455	5,754
Loss on revaluation of investment property	-	847	903
Loss on disposal of property, plant & equipment	130	-	-
Contributions to pension scheme	(1,400)	-	-
Loss/(profit) on net assets of pension schemes	87	84	(479)
Increase in receivables	(115,650)	(73,426)	(61,734)
Decrease/(increase) in deposits with ceding undertakings	765	(89)	343
Increase in payables	19,385	7,032	69,679
Increase/(decrease) in net insurance technical provisions	45,441	24,224	(64,359)
Income tax paid	(2,330)	-	-
Net cash used in operating activities	(65,648)	(31,915)	(37,446)
Cash flows to investing activities			
Purchase of property, plant and equipment	(613)	(310)	(189)
Proceeds from disposal of property, plant and equipment	-	24	19
Proceeds from disposal of investment property	361	-	-
Proceeds from disposal of intangible assets	1,936	-	-
Purchase of intangible assets	(102)	-	(92)
Sale of financial assets	139,515	32,540	69,774
Purchase of financial assets	(40,010)	(61,212)	(46,023)
Acquisition of subsidiary undertaking (offset by cash acquired)	(53,031)	4,592	(8,972)
Divestment (offset by cash disposed of)	-	16,511	13,387
Net cash from/(used in) investing activities	48,056	(7,855)	27,904

Net cash from financing activities			
Repayment of borrowings	(33,466)	(8,000)	(3,000)
New borrowing arrangements	-	25,040	86,170
Interest and other finance costs paid	(4,581)	(2,360)	(4,345)
Cancellation of shares	(10,971)	(6,798)	(11,334)
Receipts from issue of shares	103,445	1	3
Net cash from financing activities	54,427	7,883	67,494
Net increase/(decrease) in cash and cash equivalents	36,835	(31,887)	57,952
Cash and cash equivalents at beginning of period	236,923	174,502	174,502
Foreign exchange movement on cash and cash equivalents	(261)	1,664	4,469
Cash and cash equivalents at end of period	273,497	144,279	236,923
Share of Syndicates' cash restricted funds	19,886	21,205	18,150
Other funds	253,611	123,074	218,773
Cash and cash equivalents at end of period	273,497	144,279	236,923

The accompanying notes form an integral part of these Condensed Consolidated Financial Statements.

1. Basis of preparation

The Condensed Consolidated Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

The Condensed Consolidated Financial Statements for the 2019 and 2018 half years are unaudited, but have been subject to review by the Group's auditors.

2. Significant accounting policies

The accounting policies adopted in the preparation of the Condensed Consolidated Financial Statements are consistent with those followed in the preparation of the Group's Consolidated Financial Statements for the year ended 31 December 2018 other than as detailed below. There have been no amendments to accounting policies.

New standards effective from 1 January 2019:- IFRS 16, Leases.

IFRS 16 Leases specifies how to recognise, measure and disclose leases. The standard replaces IAS 17 Leases and Related Interpretations. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The rental charge in previous Consolidated Income Statements for leases has been replaced in the 2019 reporting year with a depreciation charge for the lease assets and an interest expense for the lease liabilities. Under the standard the Group has adopted the retrospective modified approach and therefore the comparatives are not restated and continue to be reported under IAS 17 and IFRIC 4.

The right of use asset recognised in the Condensed Consolidated Statement of Financial Position at 30 June 2019 is £2,690k. This asset has given rise to a depreciation charge of £870k for the six month period ending 30 June 2019 and the cost is included in operating expenses in the Condensed Consolidated Income Statement.

The lease liability is included in Financial liabilities in the Condensed Consolidated Statement of Financial Position and at 30 June 2019 amounts to £2,712k. The unwind of the liability for the six month period ending 30 June 2019 has created an interest cost of £56k which is included in Finance Costs in the Condensed Consolidated Income Statement.

3. Segmental information

The Group's segments represent the level at which financial information is reported to the Board, being the chief operating decision maker as defined in IFRS 8. The reportable segments have been identified as follows:-

- Live – the Group delegates underwriting authority to Managing General Agents (“MGAs”) and provides underwriting capacity through its licensed platforms in the US and Europe and provides capital support for the Group's participation on Lloyd's Syndicates with live business
- Legacy – the Group acquires legacy portfolios and insurance debt and provides capital support for the Group's participation on Lloyd's Syndicates in run-off
- Other – primarily includes the holding company and other non-core subsidiaries which fall outside of the segments above

Segment result for the six months ended 30 June 2019 (unaudited)

Continuing operations

	Live £000	Legacy £000	Other £000	Consolidation adjustments £000	Total £000
Earned premiums, net of reinsurance	14,304	76,463	-	-	90,767
Net investment income	5,009	13,780	4,362	(7,121)	16,030
External income	1,580	1,009	1,823	-	4,412
Internal income	13	8,198	14,988	(23,199)	-
Total income	20,906	99,450	21,173	(30,320)	111,209
Claims paid, net of reinsurance	(8,748)	(21,294)	-	-	(30,042)
Net change in provision for claims	(4,184)	(44,224)	-	-	(48,408)
Net insurance claims increased	(12,932)	(65,518)	-	-	(78,450)
Operating expenses	(9,793)	(29,444)	(21,106)	23,199	(37,144)
Result of operating activities before goodwill on bargain purchase	(1,819)	4,488	67	(7,121)	(4,385)
Goodwill on bargain purchase	-	42,858	-	-	42,858
Amortisation and impairment of intangible assets	(30)	(751)	(24)	-	(805)
Result of operating activities	(1,849)	46,595	43	(7,121)	37,668
Finance costs	(50)	(4,507)	(7,145)	7,121	(4,581)
Profit/(loss) on ordinary activities before income taxes	(1,899)	42,088	(7,102)	-	33,087
Income tax (charge)/credit	(223)	(1,501)	1,237	-	(487)
Profit/(loss) for the period	(2,122)	40,587	(5,865)	-	32,600
Non-controlling interests	92	397	(385)	-	104
Attributable to shareholders of parent	(2,030)	40,984	(6,250)	-	32,704
Segment assets	358,682	1,400,663	152,368	(349,455)	1,562,258
Segment liabilities	281,866	918,313	409,277	(349,455)	1,260,001

Segment result for the six months ended 30 June 2018 (unaudited)

Continuing operations

	Live £000	Legacy £000	Other £000	Consolidation adjustments £000	Total £000
Earned premiums, net of reinsurance	21,822	91,706	-	-	113,528
Net investment income	634	(947)	7,362	(4,429)	2,620
External income	1,392	472	3,874	-	5,738
Internal income	-	603	7,609	(8,212)	-
Total income	23,848	91,834	18,845	(12,641)	121,886
Claims paid, net of reinsurance	(3,256)	(38,261)	-	-	(41,517)
Net change in provision for claims	(4,958)	(20,429)	-	-	(25,387)
Net insurance claims increased	(8,214)	(58,690)	-	-	(66,904)
Operating expenses	(12,274)	(21,687)	(19,415)	8,212	(45,164)
Result of operating activities before goodwill on bargain purchase	3,360	11,457	(570)	(4,429)	9,818
Goodwill on bargain purchase	-	1,173	-	-	1,173
Amortisation and impairment of intangible assets	(76)	(751)	(24)	-	(851)
Result of operating activities	3,284	11,879	(594)	(4,429)	10,140
Finance costs	(122)	(3,178)	(3,489)	4,429	(2,360)
Profit/(loss) on ordinary activities before income taxes	3,162	8,701	(4,083)	-	7,780
Income tax (charge)/credit	(316)	(870)	408	-	(778)
Profit/(loss) for the period	2,846	7,831	(3,675)	-	7,002
Non-controlling interests	(234)	(230)	(2)	-	(466)
Attributable to shareholders of parent	2,612	7,601	(3,677)	-	6,536
Segment assets	243,255	1,031,640	119,359	(256,146)	1,138,108
Segment liabilities	192,150	817,348	216,948	(256,146)	970,300

Segment result for the year ended 31 December 2018 (unaudited)

Continuing operations

	Live £000	Legacy £000	Other £000	Consolidation adjustments £000	Total £000
Earned premiums, net of reinsurance	38,675	24,774	-	-	63,449
Net investment income	(379)	5,092	16,110	(15,393)	5,430
External income	2,956	1,830	7,174	-	11,960
Internal income	-	2,062	15,160	(17,222)	-
Total income	41,252	33,758	38,444	(32,615)	80,839
Claims paid, net of reinsurance	(11,226)	(43,896)	-	-	(55,122)
Net change in provision for claims	(9,546)	75,366	-	-	65,820
Net insurance claims released/(increased)	(20,772)	31,470	-	-	10,698
Operating expenses	(24,282)	(38,373)	(31,861)	17,222	(77,294)
Result of operating activities before goodwill on bargain purchase	(3,802)	26,855	6,583	(15,393)	14,243
Goodwill on bargain purchase	-	5,640	357	-	5,997
Amortisation and impairment of intangible assets	-	(1,597)	(47)	-	(1,644)
Result of operating activities	(3,802)	30,898	6,893	(15,393)	18,596
Finance costs	(222)	(6,268)	(13,248)	15,393	(4,345)
Profit/(loss) on ordinary activities before income taxes	(4,024)	24,630	(6,355)	-	14,251
Income tax (charge)/credit	226	(10,316)	6,144	-	(3,946)
Profit/(loss) for the period	(3,798)	14,314	(211)	-	10,305
Non-controlling interests	(248)	(300)	67	-	(481)
Attributable to shareholders of parent	(4,046)	14,014	(144)	-	9,824
Segment assets	284,965	1,050,326	219,440	(357,158)	1,197,573
Segment liabilities	224,229	711,292	443,223	(357,158)	1,021,586

Geographical analysis

Continuing operations

As at 30 June 2019

	UK £000	North America £000	Europe £000	Total £000
Gross assets	419,432	1,088,721	403,560	1,911,713
Intercompany eliminations	(137,630)	(154,256)	(57,569)	(349,455)
Segment assets	<u>281,802</u>	<u>934,465</u>	<u>345,991</u>	<u>1,562,258</u>
Gross liabilities	262,518	1,011,173	335,765	1,609,456
Intercompany eliminations	(72,073)	(271,026)	(6,356)	(349,455)
Segment liabilities	<u>190,445</u>	<u>740,147</u>	<u>329,409</u>	<u>1,260,001</u>
Revenue from external customers	<u>16,533</u>	<u>91,272</u>	<u>3,404</u>	<u>111,209</u>

As at 30 June 2018

	UK £000	North America £000	Europe £000	Total £000
Gross assets	425,796	780,159	274,459	1,480,414
Intercompany eliminations	(157,904)	(133,073)	(51,329)	(342,306)
Segment assets	<u>267,892</u>	<u>647,086</u>	<u>223,130</u>	<u>1,138,108</u>
Gross liabilities	400,308	723,099	189,199	1,312,606
Intercompany eliminations	(143,594)	(196,607)	(2,105)	(342,306)
Segment liabilities	<u>256,714</u>	<u>526,492</u>	<u>187,094</u>	<u>970,300</u>
Revenue from external customers	<u>104,880</u>	<u>13,272</u>	<u>3,734</u>	<u>121,886</u>

As at 31 December 2018

	UK £000	North America £000	Europe £000	Total £000
Gross assets	463,918	813,038	277,775	1,554,731
Intercompany eliminations	(131,425)	(169,314)	(56,419)	(357,158)
Segment assets	<u>332,493</u>	<u>643,724</u>	<u>221,356</u>	<u>1,197,573</u>
Gross liabilities	332,349	834,004	212,391	1,378,744
Intercompany eliminations	(105,813)	(246,587)	(4,758)	(357,158)
Segment liabilities	<u>226,536</u>	<u>587,417</u>	<u>207,633</u>	<u>1,021,586</u>
Revenue from external customers	<u>43,192</u>	<u>28,871</u>	<u>8,776</u>	<u>80,839</u>

4 Discontinued operations and disposal group

The sale of Insurance Services and Captive Management Companies

On 13 January 2018 the Group completed the sale of its Insurance Services and Captive Management Companies ('ISD') to Davies Group ("Davies") a leading operations management, consultancy and digital solutions provider. The transaction involved the sale of the entire share capital of JMD Specialist Insurance Services Group Limited and its subsidiaries, R&Quiem Limited, John Heath & Company Limited and AM Associates Insurance Services Limited as well as Randall & Quilter Bermuda Holdings Limited and its Quest subsidiaries. The sale is presented within these financial statements as a discontinued operation for the interim period six months ending 30 June 2018, as it represented the sale of a major line of business within the R&Q Group.

Profit for the period from discontinued operations

	ISD June 2019	ISD June 2018	ISD December 2018
	£000	£000	£000
Other Income	-	254	(183)
Operating expenses	-	<u>(2,292)</u>	<u>(2,310)</u>
Profit before tax	-	(2,038)	(2,493)
Income tax charge	-	<u>225</u>	<u>225</u>
Operating loss	-	<u>(1,813)</u>	<u>(2,268)</u>
Disposal proceeds	-	17,216	17,216
Net assets of disposal group	-	<u>(17,431)</u>	<u>(17,431)</u>
Loss on discontinued activities	-	(215)	(215)
Income tax charge on discontinued activities	-	-	-
Loss on discontinued activities	-	<u>(215)</u>	<u>-</u>
Loss for the period	-	<u>(2,028)</u>	<u>(2,483)</u>

Cash flows for the period from discontinued operations

	ISD June 2019	ISD June 2018	ISD December 2018
	£000	£000	£000
Net cash inflows/(outflows) from operating activities	-	(404)	(404)
investing activities	-	<u>16,511</u>	<u>16,511</u>
Net cash inflows	-	<u>16,107</u>	<u>16,107</u>

The major classes of assets and liabilities forming the disposal group were as follows:

	ISD disposal 13 January 2018 £000
Assets	
Intangible assets	14,408
Property, plant & equipment	151
Other financial investments	62
Insurance and other receivables	2,940
Cash and cash equivalents	<u>705</u>
	18,266
Liabilities	
Insurance and other payables	835
Current tax liabilities	<u>-</u>
	835
Total net assets of the disposal group	<u>17,431</u>

5. Fair Value

The following table shows the fair values of financial assets using a valuation hierarchy; the fair value hierarchy has the following levels:-

Level 1 – Valuations based on quoted prices in active markets for identical instruments. An active market is a market in which transactions for the instrument occur with sufficient frequency and volume on an ongoing basis such that quoted prices reflect prices at which an orderly transaction would take place between market participants at the measurement date.

Level 2 – Valuations based on quoted prices in markets that are not active or based on pricing models for which significant inputs can be corroborated by observable market data.

Level 3 – Valuations based on inputs that are unobservable or for which there is limited activity against which to measure fair value.

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
June 2019				
Government and government agencies	-	80,705	-	80,705
Corporate bonds	-	243,799	-	243,799
Equities	15,760	-	-	15,760
Investment funds	108,722	-	-	108,722
Purchased reinsurance receivables	-	-	8,003	8,003
Total financial assets measured at fair value	124,482	324,504	8,003	456,989
June 2018				
Government and government agencies	-	27,137	-	27,137
Corporate bonds	-	295,536	-	295,536
Equities	22,405	-	-	22,405
Investment funds	88,549	-	-	88,549
Purchased reinsurance receivables	-	-	3,382	3,382
Total financial assets measured at fair value	110,954	322,673	3,382	437,009
December 2018				
Government and government agencies	-	63,228	-	63,228
Corporate bonds	-	202,424	-	202,424
Equities	24,369	-	-	24,369
Investment funds	105,397	-	-	105,397
Purchased reinsurance receivables	-	-	3,393	3,393
Total financial assets measured at fair value	129,766	265,652	3,393	398,811

The following table shows the movement on Level 3 assets measured at fair value:-

	June 2019 £000	June 2018 £000	December 2018 £000
Opening balance	3,393	3,750	3,750
Total net gains recognised in the Consolidated Income Statement	1,178	170	76
Additions	3,374	-	-
Disposals	-	(614)	(614)
Exchange adjustments	58	76	181

Closing balance

8,003 3,382 3,393

Level 3 investments (purchased reinsurance receivables) have been valued using detailed models outlining the anticipated timing and amounts of future receipts. During the period the Group purchased an outstanding interest in similar reinsurance receivables £3,374k (2018: £Nil). Short term delays in the anticipated receipt of these investments will not have a material impact on their valuation.

6. Investment income

Continuing operations

	Six months ended 30 June 2019 £000	Six months ended 30 June 2018 £000	Year ended 31 December 2018 £000
Interest income	7,175	4,075	11,184
Realised gains on investments	2,514	238	800
Unrealised gains/(losses) on investments	6,341	(1,693)	(6,554)
	<u>16,030</u>	<u>2,620</u>	<u>5,430</u>

7. Income tax

Continuing operations

	Six months ended 30 June 2019 £000	Six months ended 30 June 2018 £000	Year ended 31 December 2018 £000
Tax charge	<u>(487)</u>	<u>(778)</u>	<u>(3,946)</u>

The tax charge in the Condensed Consolidated Income Statement is calculated on an effective tax rate method.

8. Insurance contract provisions and reinsurance balances

	Six months ended 30 June 2019 £000	Six months ended 30 June 2018 £000	Year ended 31 December 2018 £000
Gross			
Insurance contract provisions at 1 January	699,078	722,535	722,535
Claims paid	(88,207)	(77,989)	(161,360)
Increase in provisions arising from acquisition of subsidiary undertakings and syndicate participations	106,649	3,067	(26,282)
Increase in provisions arising from acquisition of reinsurance portfolios	71,519	75,841	11,936
Increase in claims provisions	97,256	18,631	79,845
Increase in unearned premium reserve	55,755	13,638	42,044
Net exchange differences	200	13,336	30,360
As at period end	<u>942,250</u>	<u>769,059</u>	<u>699,078</u>

	Six months ended 30 June 2019 £000	Six months ended 30 June 2018 £000	Year ended 31 December 2018 £000
Reinsurance			
Reinsurers' share of insurance contract provisions at 1 January	300,357	253,482	253,482

Eliminations from commutations and reinsurers' share of gross claims paid	(58,165)	(36,472)	(106,238)
Increase in provisions arising from acquisition of subsidiary undertakings and syndicate participations	18,644	-	(1,440)
Increase in provisions arising from acquisition of reinsurance portfolios	-	-	722
Increase in claims provisions	90,325	27,568	101,757
Increase in unearned premium reserve	58,722	14,801	40,583
Net exchange differences	(24)	2,348	11,491
As at period end	<u>409,859</u>	<u>261,727</u>	<u>300,357</u>
	Six months ended	Six months ended	Year ended
	30 June	30 June	31 December
	2019	2018	2018
	£000	£000	£000
Net			
Net claims outstanding at 1 January	398,721	469,053	469,053
Net (claims paid and eliminations from commutations)	(30,042)	(41,517)	(55,122)
Increase in provisions arising from acquisition of subsidiary undertakings and syndicate participations	88,005	3,067	(24,842)
Increase/(decrease) in provisions arising from acquisition of reinsurance portfolios	71,519	75,841	11,214
(Decrease)/increase in claims provisions	6,931	(8,937)	(21,912)
(Decrease)/Increase in unearned premium reserve	(2,967)	(1,163)	1,461
Net exchange differences	224	10,988	18,869
As at period end	<u>532,391</u>	<u>507,332</u>	<u>398,721</u>

The assumptions used in the estimation of claims provisions relating to insurance contracts are intended to result in provisions which are sufficient to settle the net liabilities from insurance contracts.

Provision is made at the balance sheet date for the estimated ultimate cost of settling all claims incurred in respect of events and developments up to that date, whether reported or not. The source of data used as inputs for the assumptions is primarily internal.

Significant uncertainty exists as to the likely outcome of any particular claim and the ultimate costs of completing the run off of the Group's owned insurance operations.

The Group owns a number of insurance companies in run-off. Significant uncertainty arises in the quantification of technical provisions for all insurance entities under the Group's control due to the long tail nature of the business underwritten by those entities. The business written by the insurance company subsidiaries consists in part of long tail liabilities, including asbestos, pollution, health hazard and other US liability insurance. The claims for this type of business are typically not settled until several years after policies have been written. Furthermore, much of the business written by these companies is reinsurance and retrocession of other insurance companies, which lengthens the settlement period.

The provisions carried by the Group's owned insurance companies are calculated using a variety of actuarial techniques. The provisions are calculated and reviewed by the Group's internal actuarial team; in addition the Group periodically commissions independent external actuarial reviews. The use of external advisers provides management with additional comfort that the Group's internally produced statistics and trends are consistent with observable market information and other published data.

When preparing these Condensed Consolidated Financial Statements, full provision is made in the aggregate for all costs of running off the business of the insurance entities to the extent that the provision exceeds the estimated future investment return expected to be earned by those entities deemed to be in run-off. When assessing the amount of any provision to be made, the future investment income and claims handling and all other costs of all the insurance company subsidiaries' and syndicates businesses in run-off are considered in aggregate. The quantum of the costs of running off the business and the future investment income has been determined through the preparation of cash flow forecasts over the anticipated period of the run offs. The gross costs of running off the business are estimated to be fully covered by investment income.

Provisions for outstanding claims and Incurred But Not Reported (“IBNR”) are initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries. Insurance companies within the Group are covered by a variety of treaty, excess of loss and stop loss reinsurance programmes.

9. Earnings per share

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	No. 000's	No. 000's	No. 000's
Weighted average number of Ordinary shares	170,266	125,878	125,908
Effect of dilutive share options	-	-	-
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	<u>170,266</u>	<u>125,878</u>	<u>125,908</u>
	£000	£000	£000
Earnings per share for profit from continuing operations			
Profit for the period attributable to Ordinary shareholders	<u>32,704</u>	<u>6,536</u>	<u>9,824</u>
Basic earnings per share	19.2p	5.2p	7.8p
Diluted earnings per share	<u>19.2p</u>	<u>5.2p</u>	<u>7.8p</u>
	£000	£000	£000
Earnings per share for loss from discontinued operations			
Loss for the period attributable to Ordinary shareholders	<u>-</u>	<u>(2,028)</u>	<u>(2,483)</u>
Basic earnings per share	-	(1.6)p	(2.0)p
Diluted earnings per share	-	(1.6)p	(2.0)p

10. Insurance and other payables

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	£000	£000	£000
Structured liabilities	406,830	407,762	425,657
Structured settlements	<u>(406,830)</u>	<u>(407,762)</u>	<u>(425,657)</u>
	-	-	-
Other creditors	195,111	101,214	168,488
	<u>195,111</u>	<u>101,214</u>	<u>168,488</u>

Structured Settlements

No new structured settlement arrangements have been entered into during the year. The movement in these structured liabilities during the period is primarily due to exchange movements. Some group subsidiaries have paid for annuities from third party life insurance companies for the benefit of certain claimants. In the unlikely event that any of these life insurance companies were unable to meet their obligations to these annuitants, any remaining liability may fall upon the respective insurance company subsidiaries. The Directors believe that, having regard to the quality of the security of the

life insurance companies together with the reinsurance available to the relevant Group insurance companies, the possibility of a material liability arising in this way is very unlikely. The life companies will settle the liability directly with the claimants and no cash will flow through the Group. These annuities have been shown as reducing the insurance companies' liabilities to reflect the substance of the transactions and to ensure that the disclosure of the balances does not detract from the users' ability to understand the Group's future cash flows.

11. Borrowings

The total amounts owed to credit institutions at 30 June 2019 was £106,614k (31 December 2018: £140,243k).

The Group has issued the following debt:

Issuer	Principal	Rate	Maturity
Randall & Quilter Investment Holdings Ltd.	\$70,000k	6.35% above USD LIBOR	2028
Accredited Insurance (Europe) Limited	€20,000k	6.7% above EURIBOR	2025
Accredited Insurance (Europe) Limited	€5,000k	6.7% above EURIBOR	2027
R&Q Re (Bermuda) Limited	\$20,000k	7.75% above USD LIBOR	2023

The Group's subsidiary, Accredited Holding Corporation provides a full and unconditional guarantee for the payment of principal, interest and any other amounts due in respect of the Notes issued by Randall & Quilter Investments Holding Ltd.

12. Issued share capital

Issued share capital as at 30 June 2019 amounted to £3,917,866 (31 December 2018: £2,520,688).

On 6 March 2019 the Group issued 69,858,915 ordinary shares at 153p raising approximately £107m, before expenses.

13. Guarantees and Indemnities in the Ordinary Course of Business

The Group has given various customary warranties and indemnities in connection with the disposals of R&Q Managing Agency and various Insurance service entities (to Coverys and Davies respectively).

The Group also gives various guarantees in the ordinary course of business.

14. Goodwill

When testing for impairment of goodwill, the recoverable amount of each relevant cash generating unit is determined based on cash flow projections. These cash flow projections are based on the financial forecasts approved by management. Management also consider the current net asset value and earnings of each cash generating unit.

No changes to the underlying assumptions have been made in the interim review.

15. Business combinations

The Group made five business combinations during the first six months of 2019, all of which involved legacy transactions and have been accounted for using the acquisition method of accounting.

Legacy entities and businesses

The following table shows the fair value of assets and liabilities included in the Condensed Consolidated Financial Statements at the date of acquisition of the legacy businesses:

	NNIS	WCIC	Presidio	Global Re	LTT	Gross Deal Contribution
	£000	£000	£000	£000	£000	£000
Intangible assets	-	-	101	23,384	15	23,500
Other receivables	787	822	-	4,776	-	6,385
Cash and Investments	3,233	3,235	1,112	150,669	764	159,013

Other payables	(156)	(32)	-	(1,838)	-	(2,026)
Technical provisions	(13)	(790)	(1,030)	(73,709)	(474)	(76,016)
Tax and deferred tax	-	-	-	(222)	(5)	(227)
Net assets acquired	3,851	3,235	183	103,060	300	110,629
Consideration	3,071	2,278	-	62,422	-	67,771
Goodwill on bargain purchase	780	957	183	40,638	300	42,858

In all instances, goodwill on bargain purchase was recorded on the transactions. Goodwill on bargain purchase arises when the consideration is less than the fair value of the net assets acquired. It is calculated after the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition.

M&A transactions can arise as legacy business can give rise to onerous capital and reporting obligations for insurers, even though they no longer actively participate in such business.

In order to disclose the impact on the Group as if the legacy entities had been owned for the whole year, assumptions would have to be made about the Group's ability to manage efficiently the run-off of the legacy liabilities prior to the acquisition. As a result, and in accordance with IAS 8, the Directors believe it is not practicable to disclose revenue and profit before tax as if the entities had been owned for the whole period.

Where significant uncertainties arise in the quantification of the liabilities, the Directors have estimated the fair value based on the currently available information and on assumptions which they believe to be reasonable.

The Group completed the following business combination during 2019:

NNIS

On 28 February 2019, the Group completed the acquisition of the entire issued ordinary shares of Nationale-Nederlanden Internationale Schadeverzekering SE ("NNIS"), a UK domiciled insurance company which was previously part of the N.N. Group N.V. in the Netherlands. NNIS participated on the 1996 and prior underwriting years of the Dutch Aviation Pool which wrote Aviation Hull and Liability policies.

WCIC

On 29 March 2019, the Group completed the acquisition of the entire issued ordinary shares of Western Captive Insurance Company DAC ("WCIC"), an Irish domiciled captive insurance company of the Coffey Group. WCIC provided employer's liability, general liability and public liability policies from 2007 to 2011, and, at the date of acquisition, had one remaining open claim.

Presidio

On 31 March 2019, the Group novated the property, general liability, auto liability and workers' compensation policies of Presidio Insurance Limited, a Cayman domiciled group captive, to its Travelers cell within R&Q Quest (SAC) Limited. The novated policies covered the period from 31 December 2003 to 28 February 2010.

Global U.S. Holdings Incorporated

On 3 May 2019 the Group completed the acquisition of GLOBAL U.S. Holdings Inc. for a consideration of \$80.5m from AXA DBIO, SCA, a subsidiary of investment funds managed by AXA Liabilities Managers SAS ('AXA LM').

GLOBAL U.S. Holdings Incorporated is the 100% parent of GLOBAL Reinsurance Corporation of America ('Global Re US'). Global Re US is a New York domiciled insurance company in run-off that underwrote predominantly property and casualty pro-rata treaties and facultative business for regional and specialty insurance companies on non-standard automobile, multi-peril and general liability lines in the US.

LTT

On 30th April 2019, the Group completed the assumption of liabilities from The Logistics Trust of Texas ("LTT"), a self-insured trust in run-off since 2014 which was taken over by the Texas Self-Insurance Group Guaranty Fund in 2016. LTT provided workers' compensation policies from 2006 to 2014.

16. Related party transactions

The following Officers and connected parties received distributions during the period as follows:

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	£000	£000	£000
K E Randall and family	728	864	1,440
A K Quilter and family	204	210	375
M G Smith	3	2	3

17. Foreign exchange rates

The Group used the following exchange rates to translate foreign currency assets, liabilities, income and expenses into Sterling, being the Group's presentational currency:

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	£000	£000	£000
Average			
US dollar	1.29	1.37	1.34
Euro	<u>1.14</u>	<u>1.14</u>	<u>1.13</u>
Spot			
US dollar	1.27	1.31	1.27
Euro	<u>1.12</u>	<u>1.13</u>	<u>1.11</u>