Randall & Quilter Investment Holdings Ltd

Results for the half year ended 30 June 2021

Announcing the Formation of Gibson Re, a Legacy Insurance Sidecar; Transitioning Legacy Insurance into a Recurring Fee-Based Business

6 September 2021

Randall & Quilter Investment Holdings Ltd. (AIM: RQIH) ("R&Q"), the leading non-life global specialty insurance company focusing on the Program Management and Legacy Insurance businesses, today announces its results for the half year ended 30 June 2021, and the launch of Gibson Re.

Strategic Update

- Formed Gibson Re, a Bermuda-domiciled collateralised reinsurer (commonly known as a "sidecar") with ~$300 million of capital; allows R&Q to support ~$2 billion of reserves[1]
- Gibson Re will reinsure 80% of all of R&Q's new qualifying legacy transactions for three years, with R&Q participating in 20% to promote alignment of interest
- R&Q to receive annual recurring fees of 4.25% of Gibson Re's reserves for at least six years, plus potential performance fees
- Gibson Re will transform Legacy Insurance into primarily a recurring fee-based business
- By 2023 expect run-rate Group Fee Income of greater than $140 million and Group Pre-Tax Operating Profit of over $90 million, assuming Gibson Re capital is fully utilised by 2023

H1 2021 Financial Highlights

- Pre-Tax Operating Loss of $23.5 million; loss reduced to approximately breakeven when including two signed Legacy Insurance transactions with $23 million of Underwriting Profit that are expected to close in H2 2021, reflecting the episodic earnings profile associated with Legacy Insurance
- Program Management Gross Written Premium of $890 million and Fee Income of $50 million (H1 2021 annualised), increases of 80% and 135%, respectively, from H1 2020
- Program Management Pre-Tax Operating Profit of $20 million (H1 2021 annualised) compared with $1.6 million (H1 2020 annualised); Pre-Tax Operating Profit Margin of 40% compared with 7.5% at H1 2020
- Program Management Gross Written Premium target for FY 2023 increased to $1.75 billion from $1.5 billion
- Legacy Insurance completed eight transactions
- Legacy Insurance pipeline of over $1 billion of reserves; traditionally ~70% of transactions complete in H2
- Changed reporting currency to US Dollars for fiscal year 2021
- Interim dividend for H1 2021 of 2.0 pence per share and reiteration of progressive dividend policy of growing dividend from 4 pence per share in FY 2020

Q3 2021 Update

- Program Management added 8 new programs in July and August increasing Contracted Premium to ~$1.8 billion
- Legacy Insurance completed the first Insurance Business Transfer in Oklahoma between two unaffiliated parties, opening up a new avenue for US legacy business

[1] Subject to regulatory approval

Summary Financial Performance (see Notes for definitions)
($m, except where noted)

Group Results

Income Statement	H1 2021	H1 2020
Pre-Tax Operating Profit	(23.5)	12.8
Fee Income	25.1	10.7
Operating Earnings per Share[2]	(8.5)c	5.9c
Profit Before Tax	(45.4)	0.7
Reported Earnings Per Share[2]	(13.7)c	0.5c
Dividend Per Share	2.0p	3.8p
Balance Sheet	**30 Jun 2021**	**31 Dec 2020**
Tangible Net Asset Value Per Share[2]	160.2c	173.3c
Net Asset Value Per Share[2]	180.8c	193.3c

Business Segment Metrics	**H1 2021**	**H1 2020**
Program Management		
Contracted Premium (period end)	1,605.0	925.0
Gross Written Premium	445.0	247.0
Pre-Tax Operating Profit	9.9	0.8
Pre-Tax Operating Profit Margin	39.9%	7.5%
Legacy Insurance		
Cash and Investments Acquired	147.9	402.9
Net Reserves Acquired	112.5	336.3
Pre-Tax Operating Profit	(14.8)	37.5

William Spiegel, Executive Chairman of R&Q, commented:

"Over the course of 2021, we have successfully implemented a key component of our Five-Year strategy – developing a more fee-based business. Our announcement of the formation of Gibson Re starts the transformation of R&Q's Legacy Insurance business from being balance sheet intensive with episodic earnings to a more capital light and predictable, largely recurring fee-based model. Gibson Re is a $300 million Bermuda-domiciled collateralised reinsurer owned and funded by sophisticated insurance investors. Our Legacy Insurance business now joins our Program Management business in generating most of its future revenues from annual recurring fees.

R&Q is repositioning the business to become an asset manager for Legacy Insurance business, focusing on our core strengths of insurance origination, underwriting and claims management. This change reduces our reliance on the capital markets to support our growth. The launch of Gibson Re simplifies our Legacy Insurance revenue model from one with lumpy Underwriting Income and seasonality (historically only ~30% of our Legacy Insurance transactions complete in H1 and ~ 70% in H2, measured by reserves acquired) to one with a predictable and high-quality recurring Fee Income. Importantly, by reducing the capital intensity of Legacy Insurance, we free up capital to support our previously announced progressive dividend policy and reduce our reliance on the equity markets for additional funding.

For the next three years, Gibson Re will reinsure 80% of all of R&Q's qualifying Legacy Insurance transactions. Gibson Re's capital allows R&Q to acquire approximately $2 billion of insurance reserves, and R&Q will be paid annual fees of 4.25% on reserves ceded to Gibson Re, plus potential performance fees. R&Q will manage Gibson Re for at least six years, and after seven years, R&Q will offer a commutation of the outstanding reserves. If all of Gibson Re's capital is deployed by 2023, Legacy Insurance should generate run-rate Fee Income of approximately $50 million. It is anticipated that we will raise a new sidecar after three years for ongoing capital support of the Legacy Insurance business.

[2] On a fully diluted basis

Program Management continued its strong growth in the first half of 2021 with annualised Fee Income of approximately $50 million, a growth of nearly 135% from H1 2020. Importantly, Pre-Tax Operating Profit grew over 1,100% to $20 million on an annualised basis and we are seeing the benefits of significant operating leverage as Pre-Tax Operating Profit Margins grew to 40% from 7.5% in H1 2020. With 68 programs as of 31 August, 2021, we are increasing our target Gross Written Premium in 2023 from $1.5 billion to at least $1.75 billion. Furthermore, our 40% ownership of Tradesman Program Managers, which generated $31 million of net income (H1 2021 annualised), contributed Fee Income of $12 million (H1 2021 annualised).

The development of a more fee-based business model inevitably means adjustments in our reported earnings. This is due to the timing of revenue recognition as we transition to a business model that replaces upfront capital-intensive Underwriting Income with predictable annual recurring Fee Income. With the formation of Gibson Re, we expect FY 2021 Pre-Tax Operating Profit to be relatively flat to FY 2020, depending on the timing of completing Legacy Insurance transactions. By 2023, if we deliver on our business targets, we expect to generate run-rate Fee Income of greater than $140 million and Pre-Tax Operating Profit of over $90 million, assuming Gibson Re capital is fully utilised.

The Board of Randall & Quilter Investment Holdings Ltd. is pleased to confirm that it will pay an interim dividend of 2.0 pence per share on 12 October 2021. The dividend will be paid to shareholders on the register on 24 September 2021, with a corresponding ex-dividend date of 23 September 2021. Moreover, we reiterate our intention to grow the total amount of the annual cash dividend from the fiscal year 2020 level of 4 pence per share, in line with our progressive dividend policy. Given the expected Pre-Tax Operating Profit for fiscal year 2021 will be impacted by the transition to recurring Fee Income, the dividend payout ratio is likely to be significantly above our 25 – 50% range, funded by excess capital created by the establishment of Gibson Re.

We remain in the enviable position of being market leaders in specialised insurance markets with favorable market conditions and strong competitive moats around our businesses. To take advantage of these conditions, we are relentlessly pursuing our previously articulated Five-Year strategy of being a "capital efficient, fee-oriented and data driven company". Inevitably change is difficult and cannot be achieved without engagement and partnership from our employees and of course the support of our Board of Directors and shareholders. As the expression goes: "there is no "I" in team"; business is a team sport and R&Q has an outstanding and motivated team."

Investor presentation

Our shareholders presentation and accompanying video is available on our website at:
http://www.rqih.com/investors/shareholder-information/investor-presentations

As part of its commitment to open communication with all of its shareholder base, R&Q will also provide a live presentation and Q&A via the Investor Meet Company platform at 3pm on 6 September 2021. Registration details can be accessed via:
https://www.investormeetcompany.com/randall-quilter-investment-holdings-ltd/register-investor

Questions can be submitted pre-event via the IMC dashboard or at any time during the live presentation via the 'Ask a Question' function.

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Notes to financials

Pre-Tax Operating Profit or loss is a measure of how the Group's core businesses performed adjusted for Unearned Program Fee Revenue, intangibles created in Legacy Insurance acquisitions and net realised and unrealised investment gains on fixed income and lease-based assets.

Operating EPS represents Pre-Tax Operating Profit adjusted for the marginal tax rate, divided by the average number of diluted shares outstanding in the period.

Tangible Net Asset Value represents Net Asset Value adjusted for Unearned Program Fee Revenue, intangibles created in Legacy Insurance acquisitions, net unrealised investment gains on fixed income and lease-based assets and foreign translation currency reserves.

Gross Operating Income represents Pre-Tax Operating Profit before Fixed Operating Expenses and Interest Expense.

Fee Income represents Program Fee Revenue and our share of earnings from minority stakes in MGAs.

Underwriting Income represents net premium earned less net claims costs, acquisitions expenses, claims management costs and premium taxes / levies.

Investment Income represents income on the investment portfolio excluding net realised and unrealised investment gains on fixed income and lease-based assets.

Fixed Operating Expenses include employment, legal, accommodation, information technology, Lloyd's syndicate, and other fixed expenses of ongoing operations, excluding non-core and exceptional items.

Contracted Premium is the Gross Premium that our existing distribution partners believe their programs will generate over an annual period. We expect a significant portion of Contracted Premium to become Gross Written Premium.

Program Fee Revenue represents the full fee revenue from insurance policies already bound including Unearned Program Fee Revenue, regardless of the length of the underlying policy period. We believe Program Fee Revenue is a more appropriate measure of the revenue of the business during periods of high growth, due to a larger than normal gap between Gross Written and Gross Earned (IFRS) Premium.

Unearned Program Fee Revenue represents the portion of Program Fee Revenue that has not yet earned on an IFRS basis.

Program Fee represents Program Fee Revenue as a percentage of ceded written premium.

Pre-Tax Operating Profit Margin is our profit margin on Gross Operating Income.

Average Operating Tangible Equity is based on the Group's target solvency capital models and includes allocated debt.

Operating Return on Tangible Equity includes allocated interest expense and has been annualised for interim reporting periods.

Chief Financial Officer Review

Group

Effective this year, we are reporting our financials in US dollars. Given that the majority of our assets are denominated in US dollars, we decided to report our financial results in US dollars in order to minimise volatility of foreign exchange translation in our financial statement results.

Our H1 2021 financial results were impacted by the timing of completing Legacy Insurance transactions, which tend to close in the second half of the year. Nonetheless, we have a strong pipeline of transactions in our Legacy Insurance business and continue to experience strong growth in Program Management.

Our key performance indicators measure the run-rate economics of the business and adjust IFRS metrics to include fully written Program Fee Revenue and exclude non-cash intangibles created from acquisitions in Legacy Insurance, net realised and unrealised investment gains on fixed income and lease-based assets, foreign currency translation reserves and non-core, one-time items. We provide our key performance indicators on both a consolidated Group basis as well as on a segmental basis as described below.

Pre-Tax Operating Loss was $23.5 million compared to a profit of $12.8 million in H1 2020. This is primarily due to the timing of Legacy Insurance transactions, which historically are completed in the second half of the year. Had we included two signed transactions with $23 million of Underwriting Income that are expected to close in H2 2021, our Pre-Tax Operating Profit would have been break-even. Our Tangible Net Asset Value was $439.4 million and on a fully diluted basis; our Tangible Net Asset Value Per Share was 160.2 cents. One of our objectives is to grow Fee Income, which was $25.1 million, a 135% increase compared to H1 2020.

Our IFRS results include the impact of intangibles created from acquisitions in Legacy Insurance, mark-to-market movements in our fixed income investment portfolio, foreign currency translation reserves associated with changes in interest and exchange rates and non-core items, respectively, and exclude Unearned Program Fee Revenue. We had a pre-tax loss of $45.4 million compared to profit of $0.7 million in H1 2020 and our Net Asset Value Per Share was 180.8 cents.

Program Management

Our Program Management business continued to grow rapidly in H1 2021. At 30 June 2021, we had 60 active programs, an increase of 24 programs compared to H1 2020, our Contracted Premium was $1.6 billion, a 74% increase compared to H1 2020 and our Gross Written Premium was $445 million, an 80% increase compared to H1 2020. Our results are beginning to show the benefits of scale as we earned a Pre-Tax Operating Profit of $9.9 million, representing a 39.9% margin on Gross Operating Income compared to breakeven profitability in H1 2020.

The primary driver of Pre-Tax Operating Profit is our Fee Income, which represents Program Fee Revenue from written premium ceded to reinsurers, and our share of net income generated from our 40% minority stake in Tradesman, which increased from 35% in Q1 2021. Fee Income was $25.1 million, a 135% increase compared to H1 2020. The Program Fee averaged 4.6% and contributed $19.3 million of Fee Income and our 40% stake in Tradesman contributed $5.8 million of Fee Income. Underwriting Income represents our ~5% retention of Program risk. We generated an Underwriting Loss of $1.2 million primarily due to the purchase of stop-loss reinsurance costing ~$2.6 million to minimise claims volatility. Excluding the purchase of stop loss reinsurance coverage, our Underwriting Income was $1.4 million, which is indicative of the underlying profitability that our reinsurers earn. Our Investment Income only contributed $0.9 million to Gross Operating Income due to the vast majority of premium ceded to third party reinsurers. Finally, Fixed Operating Expenses increased 59% compared to H1 2021 due to an increase in allocations of corporate expenses and the expansion of our staff with the establishment of our Excess & Surplus platform.

Legacy Insurance

Our Legacy Insurance business was impacted by the seasonality of completing transactions, which tend to close in the second half of the year. During H1 2021, we concluded eight transactions with Cash and Investments of $148 million and Net Reserves of $113 million, a decrease of 63% and 67%, respectively, compared to H1 2020 when we experienced an unusually high level of transaction volume. Our Pre-Tax Operating Loss was $14.8 million compared to a profit of $37.5 million in H1 2020. The primary driver of Pre-Tax Operating Profit is our Underwriting Income, which represents Tangible Day 1 gains on transactions originated during the year and claims management of transactions closed in prior years. Underwriting Income was $20.3 million, a 66% decrease compared to H1 2020 due to a lower amount of assets and reserves acquired during the period. Our Investment Income was $9.2 million, a 24% increase compared to H1 2020 driven by acquired assets on transactions over the past twelve months. Finally, our Fixed Operating Expenses grew 46% compared to H1 2021 primarily due to an increase in allocations of corporate expenses.

Our pipeline of transactions remains robust. We have two signed deals that are expected to close in H2 2021 with $60 million of net reserves and $23 million of Underwriting Income. Furthermore, we are actively involved in potential transactions representing over $1 billion of net reserves.

Corporate and Other

Our Corporate and Other segment includes investment income on excess capital, unallocated operating expenses, and finance costs.

Pre-Tax Operating Loss was $18.6 million, a 27% decrease compared to H1 2020 primarily driven by cost allocations to our business segments offset by higher Interest Expense associated with the issuance of $125 million of subordinated debt in H2 2020.

Our IFRS results include non-core and exceptional items, which amounted to a loss of $6.6 million in H1 2021. These represent non-recurring items such as pending mergers, retirement of executives, and one-time costs associated with special projects.

Cash and Investments

Our Cash and Investments have grown meaningfully over the last several years and now sit at $1.7 billion, driven by acquired assets in Legacy Insurance. We produced an annualised book yield, which excludes net realised and unrealised gains and losses on fixed income and lease-based assets, of 1.4%, a decrease of 30 bps compared to H1 2020 due to the impact of low interest rates and a relative increase in non dollar denominated assets. The 2-Year US Treasury yield averaged 15 bps in H1 2021 compared to 39 bps in 2020.

We maintain a conservative, liquid investment portfolio so that we can produce consistent cash flows to meet our liability obligations, while also earning a reasonable risk-adjusted return. 93% of our investments were rated investment grade, and another 2% of our portfolio was invested in non-rated money market funds. After cash, which comprised 16% of our portfolio, our largest allocations were to corporate bonds (43%), government and municipal securities (20%) and asset-backed securities (18%). Our portfolio remains with a short duration of 2.7 years, yet we are beginning to reinvest longer on the interest rate curve.

Our IFRS results include mark-to-market movements in fixed income assets, including realised net investment gains and losses, which amounted to a loss of $6.5 million for H1 2021, predominantly driven by the increase in interest rates since the beginning of the year.

Capital and Liquidity

Our estimated Group Solvency ratio remains very strong at 171%, a decrease of 17 percentage points compared to year-end 2020, but comfortably above our target of 150%. This reflects the impact of lower discount rates and other risk charges partially offset by the restructuring of $70 million of senior notes to receive Tier 3 capital treatment for Group Solvency purposes. Our adjusted debt to capital, which provides for partial equity credit on our subordinated debt, was 29% and below our target of 30%.

Condensed Consolidated Income Statement

	Note	Six months ended 30 June 2021 (unaudited) $000	Six months ended 30 June 2020 (unaudited) $000	Year ended 31 December 2020 (audited) $000
Gross written premium		527,003	644,281	991,314
Reinsurers' share of gross written premium		(429,082)	(243,795)	(520,239)
Net written premium		97,921	400,486	471,075
Change in gross provision for unearned premiums		(131,338)	(49,144)	(97,014)
Change in provision for unearned premiums, reinsurers' share		131,036	59,905	92,247
Net change in provision for unearned premiums		(302)	10,761	(4,767)
Net earned premium		**97,619**	**411,247**	**466,308**
Investment income	5	5,353	2,741	28,560
Program earned fee revenue		13,897	8,210	18,538
Other income		5,915	3,564	7,356
		25,165	**14,515**	**54,454**
Total income	3	**122,784**	**425,762**	**520,762**
Gross claims paid		(228,858)	(116,805)	(270,621)
Reinsurers' share of gross claims paid		106,299	70,893	167,952
Net claims paid		(122,559)	(45,912)	(102,669)
Movement in gross technical provisions		(12,548)	(377,124)	(446,665)
Movement in reinsurers' share of technical provisions		40,524	76,473	151,584
Net change in provision for claims		27,976	(300,651)	(295,081)
Net insurance claims incurred		**(94,583)**	**(346,563)**	**(397,750)**
Operating expenses		**(81,594)**	**(73,838)**	**(143,380)**
Result of operating activities before goodwill on bargain purchase and impairment of intangible assets		**(53,393)**	**5,361**	**(20,368)**
Goodwill on bargain purchase		22,718	5,418	84,174
Amortisation and impairment of intangible assets		(6,854)	(3,641)	(14,185)
Share of profit of associates		5,758	-	1,687
Result of operating activities		**(31,771)**	**7,138**	**51,308**
Finance costs		(13,626)	(6,407)	(12,553)
(Loss)/profit from operations before income taxes	3	**(45,397)**	**731**	**38,755**
Income tax credit/(charge)	6	8,591	176	(1,025)
(Loss)/profit for the period		**(36,806)**	**907**	**37,730**
Attributable to equity holders of the parent:-				
Attributable to ordinary shareholders		(36,806)	1,103	37,815
Non-controlling interests		-	(196)	(85)
		(36,806)	**907**	**37,730**
Earnings per ordinary share from operations: -				
Basic	8	(13.7)c	0.6c	17.5c
Diluted	8	(13.7)c	0.5c	14.2c

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

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June 2021 (unaudited) $000	Six months ended 30 June 2020 (unaudited) $000	Year ended 31 December 2020 (audited) $000
Other comprehensive income: -			
Items that will not be reclassified to profit or loss:			
Pension scheme actuarial gains/(losses)	886	(1,115)	(749)
Deferred tax on pension scheme actuarial losses	359	394	331
	1,245	(721)	(418)
Items that may be subsequently reclassified to profit or loss: -			
Exchange gains on consolidation	2,006	2,162	12,581
Other comprehensive income	3,251	1,441	12,163
(Loss)/profit for the period	(36,806)	907	37,730
Total comprehensive income for the period	**(33,555)**	**2,348**	**49,893**
Attributable to: -			
Equity holders of the parent	(33,555)	2,546	49,979
Non-controlling interests	-	(198)	(86)
Total comprehensive income for the period	**(33,555)**	**2,348**	**49,893**

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

Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2021

	Attributable to equity holders of the Parent								
	Share capital $000	Share premium $000	Convertible debt $000	Treasury share reserve $000	Foreign currency translation reserve $000	Retained earnings $000	Total $000	Non-controlling interests $000	Total $000
At beginning of period	6,168	200,885	80,000	(183)	(24,659)	267,521	529,732	(512)	529,220
Functional currency revaluation	(77)	7,261	7,231	(21)	12,245	(26,639)	-	-	-
Loss for the period	-	-	-	-	-	(36,806)	(36,806)	-	(36,806)
Other comprehensive income									
Exchange gains on consolidation	-	-	-	-	2,006	-	2,006	-	2,006
Pension scheme actuarial losses	-	-	-	-	-	886	886	-	886
Deferred tax on pension scheme actuarial losses	-	-	-	-	-	359	359	-	359
Total other comprehensive income for the period	**-**	**-**	**-**	**-**	**2,006**	**1,245**	**3,251**	**-**	**3,251**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**2,006**	**(35,561)**	**(33,555)**	**-**	**(33,555)**
Transactions with owners									
Share based payments	2	288	-	204	-	-	494	-	494
Conversion of convertible debt to ordinary shares	1,351	85,880	(87,231)	-	-	-	-	-	-
Issue of distribution shares	766	(766)							
Cancellation of distribution shares	(766)	-	-	-	-	-	(766)	-	(766)
Non-controlling interest in subsidiary disposed	-	-	-	-	-	-	-	512	512
At end of period	**7,444**	**293,548**	**-**	**-**	**(10,408)**	**205,321**	**495,905**	**-**	**495,905**

Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2020

	Attributable to equity holders of the Parent								
	Share capital $000	Share premium $000	Convertible debt $000	Treasury share reserve $000	Foreign currency translation reserve $000	Retained earnings $000	Total $000	Non-controlling interests $000	Total $000
At beginning of period	5,443	178,264	-	-	(37,241)	230,124	376,590	579	377,169
Profit for the period	-	-	-	-	-	1,103	1,103	(196)	907
Other comprehensive income									
Exchange gains/(losses) on consolidation	-	-	-	-	2,163	-	2,163	(1)	2,162
Pension scheme actuarial losses	-	-	-	-	-	(1,115)	(1,115)	-	(1,115)
Deferred tax on pension scheme actuarial losses	-	-	-	-	-	394	394	-	394
Total other comprehensive income for the period	**-**	**-**	**-**	**-**	**2,163**	**(721)**	**1,442**	**(1)**	**1,441**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**2,163**	**382**	**2,545**	**(197)**	**2,348**
Transactions with owners									
Share based payments	-	11,404	-	-	-	-	11,404	-	11,404
Issue of shares	428	19,452	-	-	-	-	19,880	-	19,880
Issue of convertible debt	-	-	80,000	-	-	-	80,000	-	80,000
Purchase of own shares	-	-	-	(183)	-	-	(183)	-	(183)
Non-controlling interest in subsidiary disposed	-	-	-	-	-	-	-	(950)	(950)
At end of period	**5,871**	**209,120**	**80,000**	**(183)**	**(35,078)**	**230,506**	**490,236**	**(568)**	**489,668**

Condensed Consolidated Statement of Changes in Equity for the year ended 31 December 2020

	Attributable to equity holders of the Parent								
	Share capital $000	Share premium $000	Convertible debt $000	Treasury share reserve $000	Foreign currency translation reserve $000	Retained earnings $000	Total $000	Non-controlling interests $000	Total $000
At beginning of period	5,443	178,264	-	-	(37,241)	230,124	376,590	579	377,169
Profit for the period	-	-	-	-	-	37,815	37,815	(85)	37,730
Other comprehensive income									
Exchange gains/(losses) on consolidation	-	-	-	-	12,582	-	12,582	(1)	12,581
Pension scheme actuarial losses	-	-	-	-	-	(749)	(749)	-	(749)
Deferred tax on pension scheme actuarial losses	-	-	-	-	-	331	331	-	331
Total other comprehensive income for the period	**-**	**-**	**-**	**-**	**12,582**	**(418)**	**12,164**	**(1)**	**12,163**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**12,582**	**37,397**	**49,979**	**(86)**	**49,893**
Transactions with owners									
Share based payments	-	14,810	-	-	-	-	14,810	-	14,810
Issue of shares	725	19,200	-	-	-	-	19,925	-	19,925
Issue of convertible debt	-	-	80,000	-	-	-	80,000	-	80,000
Purchase of own shares	-	-	-	(183)	-	-	(183)	-	(183)
Issue of distribution shares	11,389	(11,389)	-	-	-	-	-	-	-
Cancellation of distribution shares	(11,389)	-	-	-	-	-	(11,389)	-	(11,389)
Non-controlling interest in subsidiary disposed of	-	-	-	-	-	-	-	(1,005)	(1,005)
At end of period	**6,168**	**200,885**	**80,000**	**(183)**	**(24,659)**	**267,521**	**529,732**	**(512)**	**529,220**

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

Condensed Consolidated Statement of Financial Position as at 30 June 2021

	Note	30 June 2021 (unaudited) $000	30 June 2020 (unaudited) $000	31 December 2020 (audited) $000
Assets				
Intangible assets		82,772	58,102	82,215
Investments in associates		47,737	-	45,312
Property, plant and equipment		1,839	2,014	2,081
Right of use assets		5,699	5,998	5,620
Investment properties		1,882	1,838	1,832
Financial instruments		1,490,656	762,549	1,351,892
Reinsurers' share of insurance liabilities	7	1,376,566	736,385	1,180,612
Current tax assets		-	1,346	-
Deferred tax assets		7,923	5,216	5,737
Insurance and other receivables		793,912	803,038	689,623
Cash and cash equivalents		224,800	330,753	363,498
Total assets		**4,033,786**	**2,707,239**	**3,728,422**
Liabilities				
Insurance contract provisions	7	2,616,668	1,740,965	2,402,790
Financial liabilities		372,129	146,197	338,111
Deferred tax liabilities		13,270	11,445	17,995
Insurance and other payables	9	523,816	306,239	427,763
Current tax liabilities		3,167	2,915	2,603
Pension scheme obligations		8,831	9,810	9,940
Total liabilities		**3,537,881**	**2,217,571**	**3,199,202**
Equity				
Share capital	11	7,444	5,871	6,168
Share premium		293,548	209,120	200,885
Convertible debt	11	-	80,000	80,000
Treasury share reserve		-	(183)	(183)
Foreign currency translation reserve		(10,408)	(35,078)	(24,659)
Retained earnings		205,321	230,506	267,521
Attributable to equity holders of the parent		**495,905**	**490,236**	**529,732**
Non-controlling interests in subsidiary undertakings		-	(568)	(512)
Total equity		**495,905**	**489,668**	**529,220**
Total liabilities and equity		**4,033,786**	**2,707,239**	**3,728,422**

The Condensed Consolidated Financial Statements were approved by the Board of Directors on 3 September 2021 and were signed on its behalf by:

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

Condensed Consolidated Cash Flow Statement

	Six months ended 30 June 2021 (unaudited) $000	Six months ended 30 June 2020 (unaudited) $000	Year ended 31 December 2020 (audited) $000
Cash flows from operating activities			
(Loss)/profit for the period	(36,806)	907	37,730
Tax included in consolidated income statement	(8,591)	(176)	1,025
Finance costs	13,626	6,407	12,553
Depreciation and impairments	304	1,167	3,001
Share based payments	492	11,404	14,810
Share of profits of associates	(5,758)	-	(1,687)
Profit on divestment	(2,587)	-	(683)
Goodwill on bargain purchase	(22,718)	(5,418)	(84,174)
Amortisation and impairment of intangible assets	6,854	3,641	14,185
Fair value (gain)/loss on financial assets	6,286	8,478	(5,600)
Loss on revaluation of investment property	-	-	167
Loss on disposal of property, plant & equipment	-	-	5
Contributions to pension scheme	(552)	(499)	(1,021)
Profit on net assets of pension schemes	48	92	256
Decrease/(increase) in receivables	(108,990)	(287,337)	(107,228)
Decrease/(increase) in deposits with ceding undertakings	160,009	(1,242)	(147,164)
Increase/(decrease) in payables	98,027	(11,604)	23,052
Decrease/increase in net insurance technical provisions	(27,674)	289,891	299,849
Net cash from operating activities	**71,970**	**15,711**	**59,076**
Cash flows to investing activities			
Purchase of property, plant and equipment	(67)	(1,039)	(1,334)
Proceeds from disposal of property, plant and equipment	9	-	12
Purchase of intangible assets	(9)	(13)	(21)
Sale of financial assets	61,239	109,404	100,288
Purchase of financial assets	(340,228)	(131,077)	(364,730)
Acquisition of subsidiary undertaking (offset by cash acquired)	41,340	7,891	29,276
Distributions from associates	3,333	-	-
Divestment (offset by cash disposed of)	3,532	(935)	(5,148)
Net cash used in investing activities	**(230,851)**	**(15,769)**	**(241,657)**
Net cash from financing activities			
Repayment of borrowings	(27,759)	(55,526)	(56,673)
New borrowing arrangements	58,293	8,806	186,310
Interest and other finance costs paid	(13,626)	(6,407)	(12,553)
Cancellation of shares	(766)	-	(11,389)
Receipts from issue of shares	2	19,880	19,925
Receipts from issue of convertible debt	-	40,000	80,000
Purchase of treasury shares	-	(183)	(183)
Net cash from financing activities	**16,144**	**6,570**	**205,437**
Net (decrease)/increase in cash and cash equivalents	(142,737)	6,512	22,856
Cash and cash equivalents at beginning of period	363,498	309,445	309,445
Foreign exchange movement on cash and cash equivalents	4,039	14,796	31,197
Cash and cash equivalents at end of period	**224,800**	**330,753**	**363,498**
Share of Syndicates' cash restricted funds	57,842	21,594	36,444
Other funds	166,958	309,159	327,054
Cash and cash equivalents at end of period	**224,800**	**330,753**	**363,498**

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 (IFRSs) and in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

The Condensed Consolidated Financial Statements for the 2021 and 2020 half years are unaudited but have been subject to review by the Group's auditors.

The Group has changed functional and presentation currency from GBP to US dollars with effect from 1 January 2021. The change in functional currency was made to reflect that US dollars has become the predominant currency in the company, accounting for a significant part of the Group's cash flow, cash flow management and financing. The change has been implemented with prospective effect. The change of presentation currency is applied retrospectively for comparative figures. Currency translation effects for the comparative figures arising from the change to the new presentation currency US dollars, are booked as translation differences within the equity statement. Comparison figures in the Consolidated Statement of Comprehensive Income have been re-presented to reflect the average currency rates of transactions in foreign currencies for the period.

The different components of assets and liabilities in US dollars correspond to the amount published in GBP translated at the USD/GBP closing rate applicable at the end of each reporting period. As such, the change in presentation currency has not impacted the measurement of assets, liabilities, equity, or any ratios between these components, such as debt to equity ratios.

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 2020. There have been no amendments to accounting policies or new International Financial Reporting Standards adopted by the Group other than the change to presentation currency as highlighted in note 1.

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: -

- Program Management – the Group delegates underwriting authority to Managing General Agents (MGAs) to provide program capacity through its licensed platforms in the US and Europe
- Legacy Insurance – the Group acquires legacy portfolios and manages the run-off of claims reserves
- Corporate/Other – primarily includes the holding company and other non-core subsidiaries which fall outside of the segments above

The Group uses alternative performance measures which are described below.

Segmental results for the six months ended 30 June 2021

	Note	Program Management $000	Legacy Insurance $000	Corporate / Other $000	Total $000
Underwriting income	(i)	(1,220)	20,271	-	19,051
Fee income	(ii)	25,134	-	-	25,134
Investment income	(iii)	904	9,240	1,458	11,602
Gross operating income	(iv)	**24,818**	**29,511**	**1,458**	**55,787**
Fixed operating expenses	(v)	(14,960)	(44,262)	(8,259)	(67,481)
Interest expense		-	-	(11,821)	(11,821)
Pre-tax operating profit/(loss)	(vi)	**9,858**	**(14,751)**	**(18,622)**	**(23,515)**
Deduction for unearned program fee revenue	(vii)	(5,539)	-	-	(5,539)
Movement on net intangibles	(viii)	-	(3,284)	-	(3,284)
Net unrealised and realised losses		(599)	(4,543)	(1,314)	(6,456)
Non-core and exceptional items		-	-	(6,603)	(6,603)
Profit/(loss) before tax		**3,720**	**(22,578)**	**(26,539)**	**(45,397)**
Segment assets as at 30 June 2021		1,170,351	2,683,940	179,495	4,033,786
Segment liabilities as at 30 June 2021		1,104,951	2,121,924	311,006	3,537,881

Segmental results for the six months ended 30 June 2020

	Note	Program Management $000	Legacy Insurance $000	Corporate / Other $000	Total $000
Underwriting income	(i)	(1,718)	60,480	-	58,762
Fee income	(ii)	10,702	-	-	10,702
Investment income	(iii)	1,219	7,375	282	8,876
Gross operating income	(iv)	**10,203**	**67,855**	**282**	**78,340**
Fixed operating expenses	(v)	(9,427)	(30,368)	(19,731)	(59,526)
Interest expense		-	-	(5,988)	(5,988)
Pre-tax operating profit/(loss)	(vi)	**776**	**37,487**	**(25,437)**	**12,826**
Deduction for unearned program fee revenue	(vii)	(2,498)	-	-	(2,498)
Movement on net intangibles	(viii)	-	(1,681)	-	(1,681)
Net unrealised and realised losses		(52)	(8,559)	2,456	(6,155)
Non-core and exceptional items		-	-	(1,761)	(1,761)
Profit/(loss) before tax	(ix)	**(1,774)**	**27,247**	**(24,742)**	**731**
Segment assets as at 30 June 2020		712,735	1,816,719	177,785	2,707,239
Segment liabilities as at 30 June 2020		672,907	1,424,384	120,280	2,217,571

Segmental results for the year ended 31 December 2020

	Note	Program Management $000	Legacy Insurance $000	Corporate / Other $000	Total $000
Underwriting income	(i)	(3,037)	103,555	-	100,518
Fee income	(ii)	24,149	-	-	24,149
Investment income	(iii)	2,547	16,810	1,403	20,760
Gross operating income	(iv)	**23,659**	**120,365**	**1,403**	**145,427**
Fixed operating expenses	(v)	(20,281)	(71,419)	(21,069)	(112,769)
Interest expense		-	-	(12,059)	(12,059)
Pre-tax operating profit/(loss)	(vi)	**3,378**	**48,946**	**(31,725)**	**20,599**
Deduction for unearned program fee revenue	(vii)	(3,995)	-	-	(3,995)
Movement on net intangibles	(viii)	-	19,876	-	19,876
Net unrealised and realised gains/(losses)		(380)	7,149	-	6,769
Non-core and exceptional items		-	-	(4,494)	(4,494)
Profit/(loss) before tax		**(997)**	**75,971**	**(36,219)**	**38,755**
Segment assets as at 31 December 2020		909,256	2,632,649	186,517	3,728,422
Segment liabilities as at 31 December 2020		853,747	2,020,939	324,516	3,199,202

Notes:

(i) Underwriting income represents Legacy Insurance tangible day one gains and reserve development / savings, net of claims costs and brokerage commissions. Underwriting income also includes Program Management retained earned premiums, net of claims costs, acquisition costs, claims handling expenses and premium taxes / levies.

(ii) Fee income comprises program fee revenue which represents the fee revenue from insurance policies already bound (written), regardless of the amount of premium earned in the financial period, and earnings from minority stakes in MGAs.

(iii) Investment income represents income arising on the investment portfolio excluding net realised and unrealised investment gains or losses on fixed income and lease-based assets.

(iv) Gross operating income represents pre-tax operating profit before fixed operating expenses (v) and interest expense.

(v) Fixed operating expenses include employment, legal, accommodation, information technology, Lloyd's Syndicate and other fixed expenses of ongoing operations, excluding non-core and exceptional items.

(vi) Pre-tax operating profit or loss is a measure of how the Group's core businesses performed adjusted for unearned program fee revenue, intangibles created in Legacy acquisitions and net realised and unrealised investment gains on fixed income and lease-based assets.

(vii) Unearned program fee revenue represents the portion of program fee revenue (ii) which has not yet been earned on an IFRS basis.

(viii) Movement on net intangibles comprises the aggregate of intangible assets arising on acquisitions in the period less amortisation on existing intangible assets charged in the period.

(ix) Profit before tax at segmental level for the six months ended 30 June 2020 has been restated to allocate interest expense entirely to Corporate/Other rather than across all business segments.

Geographical analysis

As at 30 June 2021

	UK $000	North America $000	Europe $000	Total $000
Gross assets	1,319,477	1,893,090	1,179,721	4,392,288
Intercompany eliminations	(194,997)	(98,675)	(64,830)	(358,502)
Segment assets	1,124,480	1,794,415	1,114,891	4,033,786
Gross liabilities	1,133,728	1,718,909	1,043,746	3,896,383
Intercompany eliminations	(253,481)	(50,233)	(54,788)	(358,502)
Segment liabilities	880,247	1,668,676	988,958	3,537,881
External revenuefor the six months ended 30 June 2021	21,330	87,832	13,622	122,784

As at 30 June 2020

	UK $000	North America $000	Europe $000	Total $000
Gross assets	634,868	1,780,015	711,999	3,126,882
Intercompany eliminations	(176,592)	(181,571)	(61,480)	(419,643)
Segment assets	458,276	1,598,444	650,519	2,707,239
Gross liabilities	424,996	1,585,940	626,278	2,637,214
Intercompany eliminations	(105,425)	(307,865)	(6,353)	(419,643)
Segment liabilities	319,571	1,278,075	619,925	2,217,571
External revenue for the six months ended 30 June 2020	118,329	269,663	37,770	425,762

As at 31 December 2020

	UK $000	North America $000	Europe $000	Total $000
Gross assets	1,302,631	1,936,102	867,187	4,105,920
Intercompany eliminations	(116,374)	(197,177)	(63,947)	(377,498)
Segment assets	1,186,257	1,738,925	803,240	3,728,422
Gross liabilities	1,083,656	1,737,079	755,965	3,576,700
Intercompany eliminations	(155,426)	(213,498)	(8,574)	(377,498)
Segment liabilities	928,230	1,523,581	747,391	3,199,202
External revenue for the year ended 31 December 2020	160,232	291,805	68,725	520,762

4. 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.

As at 30 June 2021	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Government and government agencies	316,353	-	-	316,353
Corporate bonds	987,219	50,059	-	1,037,278
Equities	12,930	293	-	13,223
Investment funds	20,414	83,961	-	104,375
Purchased reinsurance receivables	-	-	6,371	6,371
Total financial assets measured at fair value	**1,336,916**	**134,313**	**6,371**	**1,477,600**

As at 30 June 2020	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Government and government agencies	197,487	775	-	198,262
Corporate bonds	356,571	108,487	-	465,058
Equities	7,143	-	-	7,143
Investment funds	-	66,638	-	66,638
Purchased reinsurance receivables	-	-	6,304	6,304
Total financial assets measured at fair value	**561,201**	**175,900**	**6,304**	**743,405**

As at 31 December 2020	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Government and government agencies	311,343	478	-	311,821
Corporate bonds	742,436	35,759	-	778,195
Equities	7,169	298	-	7,467
Investment funds	-	73,973	-	73,973
Purchased reinsurance receivables	-	-	6,314	6,314
Total financial assets measured at fair value	**1,060,948**	**110,508**	**6,314**	**1,177,770**

The following table shows the movement on Level 3 assets measured at fair value for the six months ended 30 June 2021 and 2020,and the year ended 31 December 2020: -

	June 2021 $000	June 2020 $000	December 2020 $000
Opening balance	6,314	7,796	7,796
Total net gains recognised in the Consolidated Income Statement	125	441	451
Disposals	(68)	(1,933)	(1,933)
Closing balance	**6,371**	**6,304**	**6,314**

Level 3 investments (purchased reinsurance receivables) have been valued using detailed models outlining the anticipated timing and amounts of future receipts.

5. Investment income

	Six months ended 30 June 2021 $000	Six months ended 30 June 2020 $000	Year ended 31 December 2020 $000
Interest income	11,639	11,596	22,960
Realised gains/(losses) on investments	2,727	(725)	(4,540)
Unrealised (losses)/gains on investments	(9,013)	(8,130)	10,140
	5,353	2,741	28,560

6. Income tax

	Six months ended 30 June 2021 $000	Six months ended 30 June 2020 $000	Year ended 31 December 2020 $000
Tax credit/(charge)	8,591	176	(1,025)

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

7. Insurance contract provisions and reinsurance balances

Gross	Six months ended 30 June 2021 $000	Six months ended 30 June 2020 $000	Year ended 31 December 2020 $000
Insurance contract provisions at beginning of period	2,402,790	1,400,411	1,400,411
Claims paid	(228,858)	(116,805)	(270,621)
Increase/(decrease) in provisions arising from acquisition and disposal of subsidiary undertakings and syndicate participations	38,170	(44,757)	426,140
Increase in provisions arising from acquisition of reinsurance portfolios	74,315	328,045	368,187
Increase in claims provisions	167,091	165,885	349,099
Increase in unearned premium reserve	131,338	49,144	97,014
Net exchange differences	31,822	(40,958)	32,560
Insurance contract provisions at end of period	2,616,668	1,740,965	2,402,790

Reinsurance	Six months ended 30 June 2021 $000	Six months ended 30 June 2020 $000	Year ended 31 December 2020 $000
Reinsurers' share of insurance contract provisions at beginning of period	1,180,612	615,711	615,711
Proceeds from commutations and reinsurers' share of gross claims paid	(106,299)	(70,893)	(167,952)
Increase/(decrease) in provisions arising from acquisition and disposal of subsidiary undertakings and syndicate participations	-	(1,766)	283,068
Increase in provisions arising from acquisition of reinsurance portfolios	-	-	1,402
Increase in claims provisions	146,823	147,366	318,134

Increase in unearned premium reserve	131,036	59,905	92,246
Net exchange differences	24,394	(13,938)	38,003
Reinsurers' share of insurance contract provisions at end of period	1,376,566	736,385	1,180,612

Net	Six months ended 30 June 2021 $000	Six months ended 30 June 2020 $000	Year ended 31 December 2020 $000
Net claims outstanding at beginning of period	1,222,178	784,700	784,700
Net claims paid and proceeds from commutations	(122,559)	(45,912)	(102,669)
Increase/(decrease) in provisions arising from acquisition of subsidiary undertakings and syndicate participations	38,170	(42,991)	143,072
Increase in provisions arising from acquisition of reinsurance portfolios	74,315	328,045	366,785
Increase in claims provisions	20,268	18,519	30,965
Decrease/(increase) in unearned premium reserve	302	(10,761)	4,768
Net exchange differences	7,428	(27,020)	(5,443)
Net claims outstanding at end of period	1,240,102	1,004,580	1,222,178

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 reporting 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 claim and the ultimate costs of completing the run off of the Group's owned insurance operations.

The Group owns several 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 expenses 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) claims 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.

8. Earnings per share

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020

	No. 000's	No. 000's	No. 000's
Weighted average number of Ordinary shares	267,915	200,354	216,026
Effect of dilutive share options	-	4,473	49,772
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	267,915	204,827	265,798

	$000	$000	$000
Earnings per share for profit from operations			
(Loss)/Profit for the period attributable to Ordinary shareholders	(36,806)	1,103	37,815
Basic earnings per share	(13.7)c	0.6c	17.5c
Diluted earnings per share	(13.7)c	0.5c	14.2c

9. Insurance and other payables

	Six months ended 30 June 2021 $000	Six months ended 30 June 2020 $000	Year ended 31 December 2020 $000
Structured liabilities	516,393	531,361	516,393
Structured settlements	(516,393)	(531,361)	(516,393)
	-	-	-
Other creditors	523,816	306,239	427,763
	523,816	306,239	427,763

Structured Settlements

Structured settlements are subject to annual review. No new structured settlement arrangements have been entered into during the period. 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. The subsidiary company retains the credit risk in the unlikely event that the life insurance company defaults on its obligations to pay the annuity amounts. In the 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.

10. Borrowings

The total amounts owed to credit institutions at 30 June 2021 was $362,687k (30 June 2020: $138,680k, 31 December 2020: $330,275k).

The Group has issued the following debt:

Issuer	Principal	Rate	Maturity
Randall & Quilter Investment Holdings Ltd.	$70,000k	6.35% above USD LIBOR	2028
Randall & Quilter Investment Holdings Ltd.	$125,000k	6.75% above USD LIBOR	2033
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 America Insurance Holding Corporation provides a full and unconditional guarantee for the payment of principal, interest and any other amounts due in respect of the $70,000k Notes issued by Randall & Quilter Investments Holdings Ltd.

11. Issued share capital

Issued share capital as at 30 June 2021 amounted to $7,444k (30 June 2020: $5,871k, 31 December 2020: $6,168k).

During the period the Group converted 47,609,270 $0.01 convertible preference shares with a value of $80,000k in a subsidiary, to ordinary share capital of the Group.

12. 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.

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

13. 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.

14. Business combinations

During the first six months of 2021, the Group made two business combinations of run-off portfolios and acquired two non-insurance legacy businesses (which were acquired as part of a single transaction). All of the Group's business combinations involved Legacy Insurance 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:

	Intangible assets $'000	Other receivables $'000	Cash & investments $'000	Other payables $'000	Technical provisions $'000	Tax $'000	Net assets acquired $'000	Consideration $'000	Goodwill on bargain purchase $'000
EIIDAC	3,086	450	64,057	(252)	(36,196)	(386)	**30,759**	9,148	**21,611**
NYSHPWCT	263	-	2,819	-	(1,975)	-	**1,107**	-	**1,107**
	3,349	**450**	**66,876**	**(252)**	**(38,171)**	**(386)**	**31,866**	**9,148**	**22,718**

	Intangible assets $'000	Other receivables $'000	Cash & investments $'000	Other payables $'000	Technical provisions $'000	Tax $'000	Net assets acquired $'000	Consideration $'000	Goodwill generated $'000
Vibe	-	2,745	1,623	(933)	-	-	**3,435**	6,277	**2,842**

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 period, 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 2021:

EIIDAC
On 19 May 2021, the Group announced it had completed the acquisition of the entire issued share capital of Electric Insurance Ireland DAC ("EIIDAC"), an Irish domiciled captive insurance company of the General Electric Group. EIIDAC was incorporated in 2005 and wrote Employer's Liability and General Liability business between 2007 and 2020.

NYSHPWCT
On 13 July 2021, but effective 1 August 2020, Accredited Surety & Casualty received regulatory approval to assume the Workers' Compensation Liability Policies of New York State Health Providers Workers Compensation Trust ("NYSHPWCT"). The policies assumed covered the period from April 1992 to January 2011.

Vibe
On 21 May 2021, following regulatory approval, the Group completed the acquisitions of Vibe Syndicate Management Limited ("VSML") and Vibe Services Management Limited ("Vibe Services"), (together "Vibe"), thus finalising the second completion of the purchase of the Vibe Group following the acquisition of Vibe Corporate Member Limited in December 2020.

15. Related party transactions

The following Officers and connected parties were entitled to the following distributions during the period as follows:

	Six months ended 30 June 2021 $000	Six months ended 30 June 2020 $000	Year ended 31 December 2020 $000
A K Quilter and family	7	-	153
W L Spiegel	15	-	82
T S Solomon	4	-	59

16. Foreign exchange rates

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

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
Average			
UK Sterling	0.72	0.79	0.78
Euro	0.83	0.91	0.88
Spot			
UK Sterling	0.72	0.81	0.74
Euro	0.84	0.89	0.82