R&Q Insurance Holdings Ltd

Results for the half year ended 30 June 2022

Strong progress against strategic objectives demonstrated by 112% growth in recurring Fee Income to a record $53.1 million

5 September 2022

R&Q Insurance Holdings Ltd (AIM: RQIH) ("R&Q" or the "Group"), 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 2022.

Strategic and Governance Update

- Raised $130 million via a placing, including a $34 million Firm Issuance in June followed by a Conditional Issuance and Open Offer for the remaining $96 million in July (the "Fundraise"), demonstrating strong shareholder support for our strategy
- Significant progress made in executing against all 5 pillars of our 5-year strategy to become a recurring fee-based, capital-lighter business with increased returns on equity and growing shareholder dividends
- Appointment of Robert Legget as the Senior Independent Director on 26 August as part of our ongoing plans to enhance our Board composition. The Board plans to introduce an Independent Non-Executive Chair as soon as possible with the appointment of further Independent Non-Executive Directors in due course

H1 2022 Financial Highlights

Program Management
- Gross Written Premium of $807.3 million (H1 2021: $444.8 million, an 82% increase)
- Fee Income (incl. Tradesman stake) of $44.3 million (H1 2021: $25.1 million, a 76% increase); Fee Income (excl. Tradesman stake) increased 105%
- Pre-Tax Operating Profit of $23.3 million (H1 2021: $9.9 million, a 136% increase)
- Pre-Tax Operating Profit Margin of 54.0% (H1 2021: 39.9%, a 14.1 percentage point increase)

Legacy Insurance
- Completed two transactions with Gross Reserves Acquired of $5.3 million (transactions are seasonally active in Q4)
- Reserves Under Management of $386.6 million
- Fee Income of $8.8 million
- Pre-Tax Operating Loss of $26.7 million as the business transitions to an annual recurring, fee-based revenue model

Group
- Total Fee Income of $53.1 million (H1 2021: $25.1 million, a 112% increase)
- Pre-Tax Operating Loss of $24.3 million; results impacted by Legacy Insurance revenue model transition
- An interim dividend for H1 2022 will not be declared; dividend strategy is to pay out 25 – 50% of Pre-Tax Operating Profit
- Unrealised net investment losses of $88 million; unrealised investment gains/losses always excluded from Pre-Tax Operating Profit as they are non-economic and unlikely to be realised due to the high credit quality fixed income portfolio and the Group's asset-liability management strategy

Operational Highlights

- Continued focus on cost control with Fixed Operating Expenses increasing only 3% year-over-year at constant foreign exchange rates and down 3% when accounting for foreign

exchange movements
- Operational improvement programme underway with c. $10 million of the total $20 – 25 million investment deployed since 2021, with the remainder to be incurred in H2 2022 and 2023
- This investment in automation and technology processes is expected to generate approximately $10 million of recurring annual cost efficiencies by 2024

Outlook

- Program Management expected to achieve $1.75 billion of Gross Written Premium in 2022
  - Five programs launched post 30 June 2022 expected to generate c. $250 million of annualised Gross Written Premium
  - Further pipeline of 13 programs in advanced due diligence totalling an additional c. $225 million of expected annualised Gross Written Premium
  - Fee Income equal to c. 5% of ceded Gross Written Premium

- Legacy Insurance transaction execution continues to have heavy weighting towards Q4
  - Strong pipeline of over $1 billion in gross reserves
  - Over $1 billion of capacity in Gibson Re
  - Fee Income equal to 4.25% of Reserves Under Management

- R&Q reiterates guidance of achieving in excess of $90 million Pre-Tax Operating Profit in 2024

Summary Financial Performance (see Notes for definitions)

($m, except where noted)	**H1 2022**	**H1 2021**	**% Change**
Program Management			
Gross Written Premium	807.3	444.8	82%
Fee Income[1]	44.3	25.1	76%
Pre-Tax Operating Profit	23.3	9.9	136%
Pre-Tax Operating Profit Margin	54.0%	39.9%	14.1 pp
Legacy Insurance			
Gross Reserves Acquired[2]	5.3	112.5	(95%)
Reserves Under Management	386.6	0.0	N/A
Fee Income	8.8	0.0	N/A
Pre-Tax Operating (Loss)	(26.7)	(14.8)	80%
Corporate / Other			
Net Unallocated Expenses	(6.7)	(6.8)	(1%)
Interest Expense	(14.2)	(11.8)	20%
Group			
Fee Income	53.1	25.1	112%
Pre-Tax Operating (Loss)	(24.3)	(23.5)	3%
IFRS (Loss) After Tax	(122.4)	(36.8)	233%
Operating (Loss) Earnings per Share[3]	(8.5)¢	(8.5)¢	0%
Dividend Per Share	--	2.0p	N/A

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

"I am pleased to report another six months of progress against our 5-year strategy. These results showcase excellent underlying momentum in executing our 5-pillar strategy as we continue our transformation into a fee-based, capital-lighter business. This transformation is evidenced by the significant growth in recurring Fee Income, which has more than doubled from last year and now

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[1] Includes minority stake in Tradesman Program Managers
[2] Gross of cessions to Gibson Re
[3] On a fully diluted basis

represents over 60% of our Gross Operating Income, a proxy for revenue. We also re-iterate our confidence in achieving in excess of $90 million of Pre-Tax Operating Profit in 2024. As a result of our strategy, R&Q will deliver more predictable earnings, with increased returns on equity and growing sustainable shareholder dividends over time.

Program Management continues to grow strongly with Gross Written Premium up 82%, and a Pre-tax Operating Profit of $23.3 million. We are now seeing the benefits of increasing scale, as demonstrated by a margin of 54.0% (H1 2021: 39.9%), with our operating leverage expected to drive this higher to c. 70% at scale. The pipeline in Program Management also remains robust, with the business on track to deliver its targeted $1.75 billion in Gross Written Premium for FY 2022. In addition, we continue to explore minority stakes in Managing General Agents where we provide Program Management services, and have executed on our second investment after the period close.

It is exciting to see Legacy Insurance generating recurring fees for the first time under its new reinsurance relationship with Gibson Re. In H1 2021, Fee Income of nearly $9 million based on Reserves Under Management of $387 million as of 30 June 2022. As we have previously outlined, this model will enable Legacy Insurance to significantly increase its return on equity while materially reducing earnings volatility and capital requirements. While it will take time for the new structure to mature and scale, and our operating performance reflects its transition, we remain on track with our objectives and have a strong pipeline of deal activity in place as we head into Q4 – historically the most active period for legacy transactions.

The outlook for both Program Management and Legacy Insurance remains highly favourable, with both well insulated against many of the broader macroeconomic challenges impacting the wider insurance industry such as rising interest rates, increasing inflation, hardening (re)insurance pricing and the Ukraine/Russia conflict. In addition, our recent Fundraise has further strengthened our capital position, enhanced parent liquidity, and decreased financial leverage, putting us on a strong financial footing to execute on our business objectives. Our investment portfolio is well positioned and comprises high-quality fixed income securities with a duration that is shorter than our stable, casualty-oriented liabilities. A rising rate environment is unlikely to require us to realise any mark-to-market unrealised losses on our portfolio but rather creates attractive reinvestment opportunities at significantly higher yields.

In addition to the positive progress we are seeing in our two businesses, we are also underway with implementing extensive improvements in how we operate as a Group, aimed at making us more efficient and technology-enabled, while enhancing our governance, culture and risk management. As part of this effort, we are investing a total of $20 – 25 million, with c. $10 million already incurred to date, in process automation and technology. We expect this programme to generate c. $10 million of annual efficiencies by 2024, implying a payback on the upfront investment in approximately three years.

It would be remiss if I did not comment on the requisition notice from a minority shareholder and the proposed resolutions to bring back the former executive chairman. While our sentiments on this situation are documented in the Circular distributed on 24 August 2022, I wanted to personally thank the Board, our employees and the shareholders who have provided support to both me and the strategy that we have laid out and been executing on. Despite this and a number of other exceptional corporate events in 2022 that have caused some short-term and unexpected disruption to the business, our focus for the remainder of the year and beyond is firmly on the continued delivery of our plan.

In conclusion, the first half of the year has firmly demonstrated our ability to deliver on our 5-year, 5-pillar strategy of implementing a capital-lighter business model underpinned by recurring Fee Income. We know there is more work to do, but I am encouraged by how much we have already accomplished and the pace at which we are evolving into a less balance sheet intensive business with more predictable earnings. This is only made possible because of our talented and committed employees, and I would like to thank them for their ongoing efforts in helping us to achieve our goals.”

Investor presentation

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

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Notes to financials

Pre-Tax Operating Profit is a measure of how the Group's core businesses performed adjusted for Unearned Program Fee Income, intangibles created in Legacy Insurance acquisitions, net realised and unrealised investment gains on fixed income assets, exceptional foreign exchange net gains upon consolidation and non-core, non-recurring costs.

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 Income, intangibles created in Legacy Insurance acquisitions, net unrealised investment gains on fixed income assets and foreign currency translation reserves.

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

Fee Income represents Program Fee Income, Fee Income on Reserves Under Management and our share of earnings from minority stakes in MGAs.

Program Fee Income represents the full fee income from insurance policies already bound including Unearned Program Fee Income, regardless of the length of the underlying policy period. We believe Program Fee Income is a more appropriate measure of the revenue of the business during periods of high growth, due to a larger than normal gap between written and earned premium.

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

Underwriting Income represents net premium earned less net claims costs, acquisition 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 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.

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

Gross Reserves Acquired represent Legacy Insurance reserves acquired gross of reinsurance to Gibson Re.

Reserves Under Management represent reserves ceded to Gibson Re for which R&Q earns an annual recurring fee of 4.25%.

Chief Financial Officer Review

We are pleased to report our financial results for the half year ended 30 June 2022.

Group

Our Key Performance Indicators (KPIs) transparently measure the underlying economics of the business and adjust IFRS results to include fully written Program Fee Income and exclude non-cash intangibles created from acquisitions in Legacy Insurance, net realised and unrealised investment gains or losses on fixed income investments, foreign currency translation reserves, non-core expenses and exceptional items. This provides management and shareholders with a clearer view of the trends in underlying performance of the business.

Our results for the period reflect the transformation of Legacy Insurance into an annual recurring fee-based business and hence are not comparable to the prior year period where we earned upfront, Day-One accounting gains. We expect the benefits of this transformation to be reflected in the financial results as we continue to deploy the capital of Gibson Re to reinsure 80% of future transactions, and Legacy Insurance generates an appropriate amount of Fee Income to absorb its Fixed Operating Expenses. As a result, our Pre-Tax Operating Loss was $24.3 million during the current period. Tangible Net Asset Value was $368.4 million, a 2% increase compared to year-end 2021, primarily as a result of our Firm Issuance of $34 million in June 2022 (the remaining Fundraise of $96 million closed in July 2022).

One of our primary objectives is to grow Fee Income. Our Fee Income was $53.1 million, a 112% increase compared to H1 2021, and when annualised, was $106.2 million, and would represent a compounded annual growth rate of 102% over 3 years. Fee Income represented 61% of Gross Operating Income over the trailing twelve months, an increase of 49 percentage points compared to the business mix in 2019.

We continue to be very focused on cost control, with Group Fixed Operating Expenses increasing by only 3% at constant foreign exchange rates and decreasing by 3% when accounting for foreign exchange movements during the period. We have incurred approximately $10 million out of our total $20 – 25 million budget for the automation programme. This investment is expected to deliver approximately $10 million of annual cost efficiencies by 2024 from process automation and technology upgrades that will create scalability and operating leverage.

Our IFRS Loss After Tax was $122.4 million during H1 2022 primarily due to $88 million of unrealised net investment losses, which we do not expect will be realised due to the high credit quality, short duration of our investment portfolio.

Program Management

Our Program Management business continued to grow rapidly in H1 2022. We had 75 active programs, an increase of 15 programs compared to 30 June 2021, and Gross Written Premium was $807.3 million, an 82% increase compared to H1 2021. Our Pre-Tax Operating Profit was $23.3 million, a 136% increase compared to H1 2021. These results are demonstrating the benefits of scale as we earned a 54.0% profit margin, an increase of 14.1 percentage points compared to H1 2021.

The primary driver of Pre-Tax Operating Profit is our Fee Income, which represents Program Fee Income from written premium ceded to reinsurers and our 40% minority stake in Tradesman Program Managers. Fee Income was $44.3 million, a 76% increase compared to H1 2021, which included $5.2 million from our minority stake in Tradesman Program Managers. Excluding our stake in Tradesman, Fee Income increased 105% compared to H1 2021. Underwriting Income represents our c. 7% retention of Program Management insurance risk. Our Underwriting Loss was $2.1 million, primarily due to adverse development in UK motor and the higher cost of reinsurance purchased to minimise earnings volatility. While our UK motor exposure is very modest across our diversified book of business, rate increases are coming through the underlying programs, which should mitigate Underwriting Losses in the future. Our Investment Income was $1.0 million, a 19% increase compared to H1 2021 primarily driven by underlying growth in the business. Finally, Fixed Operating Expenses increased 34% compared to H1 2021 due to the expansion of our staff, but grew more slowly than Gross Operating Income, demonstrating the benefits of scale and operating leverage.

Legacy Insurance

Our Legacy Insurance business concluded two transactions in the period with Gross Reserves Acquired of $5.3 million (H1 2021: $112.5 million). Transactions tend to be seasonally active in the fourth quarter, with H1 2021 an exception due to the timing of closing certain deals that had been negotiated at year-end 2020. At 30 June 2022, we had Reserves Under Management, which represent the reserves ceded to Gibson Re, of $386.6 million compared to none in the prior period. Our Pre-Tax Operating Loss was $26.7 million due to the transformation to an annual recurring fee business, which is expected to become profitable as Gibson Re, which assumes 80% of legacy transactions in exchange for 4.25% of annual fees on Reserves Under Management, is fully deployed by 2024.

With the formation of Gibson Re in Q4 2021, the primary driver of our Pre-Tax Operating Profit is our Fee Income, which was $8.8 million, compared to none in H1 2021. Our Underwriting Income represents tangible Day-One gains in respect of the risk retained on transactions originated during the period as well as reserve movements of risk retained on transactions closed in prior years. Note that Day-One gains will not be allowed under future accounting starting in 2023, which will require higher reserves at transaction close. Our Underwriting Loss was $3.4 million due to a modest amount of reserve strengthening. Underwriting Income is not comparable to the prior period due to reinsuring 80% of transactions to Gibson Re. Our Investment Income was $6.7 million, a 27% decrease compared to H1 2021 due to mark-to-market unrealised investment losses on equity and loan funds. Finally, our Fixed Operating Expenses decreased 12% compared to H1 2021, primarily due to expense control and foreign exchange movement.

Corporate and other

Our Corporate and Other segment includes unallocated operating expenses and finance costs. Unallocated net operating expenses were $6.7 million, relatively flat compared to H1 2021. Interest expense was $14.2 million, a 20% increase compared to H1 2021 due to a higher amount of bank debt, which is expected to decrease upon receipt of the remaining $96 million Fundraise that closed in July.

Cash and investments

Our Cash and Investments at 30 June 2022 was $1.6 billion. We produced a book yield, which excludes net realised and unrealised gains on fixed income investments, of 1.2%, a decrease of 20 bps compared to H1 2021 due to the impact of mark-to-market losses on equities and loan funds. Excluding these losses, our book yield was 1.5%.

We maintain a high-quality and 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. 97% of our portfolio was invested in cash, money market funds, and fixed income investments. Of our fixed income investments, 98% were rated investment grade. After cash, which comprised 21% of our portfolio, our largest allocations were to corporate bonds (39%), government and municipal securities (20%), asset-backed securities (16%) and equities and funds (3%). While we continue to extend duration in our portfolio to better match our expected liability cashflows, our interest rate duration was 2.5 years at 30 June 2022 (compared to duration on our liabilities of 6 years) primarily as a result of significant cash balances at 30 June 2022 and 17% of the portfolio invested in floating rate securities. With the rise in interest rates, we expect to redeploy assets at attractive market yields; our portfolio market yield, excluding cash, is currently 4%.

During H1 2022, financial markets witnessed a significant increase in interest rates resulting in mark-to-market unrealised losses on fixed income assets across the wider insurance industry. Our investment portfolio incurred unrealised net investment losses on fixed income investments of $88 million, which are included in our IFRS results, and represent 5.2% of the total portfolio, lower than that experienced by publicly-traded peers in the insurance industry. Given these assets are held in high quality, investment grade securities with a shorter duration than our stable, casualty-oriented liabilities, we do not expect to realise these accounting-based losses. While IFRS does not allow for the discounting of reserves, our group regulatory financials do and hence the increase in interest rates benefitted our solvency capital position with the discount rate impact on reserves more than offsetting the mark to market unrealised losses in our investment portfolio. Our realised net investment losses were c. $12 million primarily as a result of the liquidation of securities in exchange for cash in a Reinsurance-to-Close transaction as required by Lloyd’s. Nonetheless, the increase in interest rates provides attractive reinvestment opportunities for the Group as our significant cash position is being reinvested.

Capital and liquidity

Our estimated Group Solvency ratio pro forma for the Conditional Issuance and Open Offer of $96 million that closed in July was well above our target level of 150%. Our pro forma adjusted debt to capital ratio, which provides for partial equity credit on our subordinated debt, is 33%, slightly above our target of 30%. We received pre-emptive waivers of certain financial covenants from our bank lenders, which were contingent on our Fundraise which completed in July 2022.

Change in accounting policy beginning in 2023

The Group will be voluntarily changing its basis of accounting from IFRS to the Generally Accepted Accounting Principles in the United States of America (“US GAAP”) and will present its consolidated financial statements in US GAAP effective 1 January 2023. The reason for this change is due to the meaningful ongoing costs to conform with IFRS 17, which would place R&Q at a significant competitive disadvantage in the Legacy Insurance market, where most of the market participants report under US GAAP. The data requirements of IFRS 17 for run-off insurance policies and reinsurance contracts drive implementation costs for both existing and future transactions that are more than double that required under US GAAP. While there are differences between IFRS and US GAAP, the change in accounting framework will not alter the economic-based KPIs that we use to manage the business.

Condensed Consolidated Income Statement

	Note	Six months ended 30 June 2022 (unaudited) $m	Six months ended 30 June 2021 (unaudited) $m	Year ended 31 December 2021 (audited) $m
Gross written premium		837.3	527.0	1,539.7
Reinsurers' share of gross written premium		(764.4)	(429.1)	(1,463.5)
Net written premium		72.9	97.9	76.2
Change in gross provision for unearned premiums		(256.0)	(131.3)	(279.2)
Change in provision for unearned premiums, reinsurers' share		222.7	131.0	267.0
Net change in provision for unearned premiums		(33.3)	(0.3)	(12.2)
Net earned premium		**39.6**	**97.6**	**64.0**
Earned fee income		32.2	13.9	31.8
Investment income	5	(89.8)	5.4	6.4
Other income		1.2	5.9	6.6
		(56.4)	**25.2**	**44.8**
Total income	3	**(16.8)**	**122.8**	**108.8**
Gross claims paid		(311.3)	(228.9)	(485.9)
Reinsurers' share of gross claims paid		201.8	106.3	154.2
Net claims paid		(109.5)	(122.6)	(331.7)
Movement in gross technical provisions		(123.6)	(12.5)	(468.6)
Movement in reinsurers' share of technical provisions		194.1	40.5	674.4
Net change in provision for claims		70.5	28.0	205.8
Net insurance claims incurred		**(39.0)**	**(94.6)**	**(125.9)**
Operating expenses		**(66.7)**	**(81.6)**	**(166.0)**
Result of operating activities before goodwill on bargain purchase and impairment of intangible assets		**(122.5)**	**(53.4)**	**(183.1)**
Goodwill on bargain purchase		0.2	22.7	49.7
Amortisation and impairment of intangible assets		(5.1)	(6.9)	(13.3)
Share of profit of associates		5.2	5.8	11.2
Result of operating activities		**(122.2)**	**(31.8)**	**(135.5)**
Finance costs		(14.5)	(13.6)	(26.5)
Loss from operations before income taxes	3	**(136.7)**	**(45.4)**	**(162.0)**
Income tax credit	6	14.3	8.6	34.6
Loss for the period		**(122.4)**	**(36.8)**	**(127.4)**
Attributable to equity holders of the parent:-				
Attributable to ordinary shareholders		(122.4)	(36.8)	(127.4)
Non-controlling interests		—	—	—
		(122.4)	**(36.8)**	**(127.4)**
Earnings per ordinary share from operations: -				
Basic	8	(44.3)c	(13.7)c	(46.9)c
Diluted	8	(44.3)c	(13.7)c	(46.9)c

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

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June 2022 (unaudited) $m	Six months ended 30 June 2021 (unaudited) $m	Year ended 31 December 2021 (audited) $m
Other comprehensive income: -			
Items that will not be reclassified to profit or loss:			
Pension scheme actuarial (losses)/gains	(1.0)	0.9	3.1
Deferred tax on pension scheme actuarial losses/(gains)	0.2	0.3	(0.2)
	(0.8)	1.2	2.9
Items that may be subsequently reclassified to profit or loss: -			
Exchange (losses)/gains on consolidation	(33.8)	2.0	(3.3)
Other comprehensive income	(34.6)	3.2	(0.4)
Loss for the period	(122.4)	(36.8)	(127.4)
Total comprehensive income for the period	**(157.0)**	**(33.6)**	**(127.8)**
Attributable to: -			
Equity holders of the parent	(157.0)	(33.6)	(127.8)
Non-controlling interests	—	—	—
Total comprehensive income for the period	**(157.0)**	**(33.6)**	**(127.8)**

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 2022

	Attributable to equity holders of the Parent						
	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total
	$m	$m	$m	$m	$m	$m	$m
At beginning of period	7.5	288.3	(15.7)	116.4	396.5	—	396.5
Loss for the year	—	—	—	(122.4)	(122.4)	—	(122.4)
Other comprehensive income							
Exchange losses on consolidation	—	—	(33.8)	—	(33.8)	—	(33.8)
Pension scheme actuarial losses	—	—	—	(1.0)	(1.0)	—	(1.0)
Deferred tax on pension scheme actuarial gains	—	—	—	0.2	0.2	—	0.2
Total other comprehensive income for the period	**—**	**—**	**(33.8)**	**(0.8)**	**(34.6)**	**—**	**(34.6)**
Total comprehensive income for the period	**—**	**—**	**(33.8)**	**(123.2)**	**(157.0)**	**—**	**(157.0)**
Transactions with owners							
Issue of shares	0.6	34.5	—	—	35.1	—	35.1
At end of period	**8.1**	**322.8**	**(49.5)**	**(6.8)**	**274.6**	**—**	**274.6**

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

	Attributable to equity holders of the Parent								
	Share capital	Share premium	Convertible debt	Treasury share reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m
At beginning of period	6.2	200.9	80.0	(0.2)	(24.7)	267.5	529.7	(0.5)	529.2
Functional currency revaluation	(0.1)	7.2	7.2	—	12.3	(26.6)	—	—	—
Loss for the period	—	—	—	—	—	(36.8)	(36.8)	—	(36.8)
Other comprehensive income									
Exchange gains on consolidation	—	—	—	—	2.0	—	2.0	—	2.0
Pension scheme actuarial losses	—	—	—	—	—	0.9	0.9	—	0.9
Deferred tax on pension scheme actuarial losses	—	—	—	—	—	0.3	0.3	—	0.3
Total other comprehensive income for the period	**—**	**—**	**—**	**—**	**2.0**	**1.2**	**3.2**	**—**	**3.2**
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**2.0**	**(35.6)**	**(33.6)**	**—**	**(33.6)**
Transactions with owners									
Share based payments	—	0.3	—	0.2	—	—	0.5	—	0.5
Conversion of convertible debt to ordinary shares	1.4	85.9	(87.2)	—	—	—	0.1	—	0.1
Dividend	—	(0.8)	—	—	—	—	(0.8)	—	(0.8)
Non-controlling interest in subsidiary disposed	—	—	—	—	—	—	—	0.5	0.5
At end of period	**7.5**	**293.5**	**—**	**—**	**(10.4)**	**205.3**	**495.9**	**—**	**495.9**

Condensed Consolidated Statement of Changes in Equity for the year ended 31 December 2021

	Attributable to equity holders of the Parent								
	Share capital	Share premium	Convertible debt	Treasury share reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m
At beginning of period	6.2	200.9	80.0	(0.2)	(24.7)	267.5	529.7	(0.5)	529.2
Functional currency revaluation	(0.2)	7.2	7.2	—	12.3	(26.6)	(0.1)	—	(0.1)
Loss for the period	—	—	—	—	—	(127.4)	(127.4)	—	(127.4)
Other comprehensive income									
Exchange losses on consolidation	—	—	—	—	(3.3)	—	(3.3)	—	(3.3)
Pension scheme actuarial losses	—	—	—	—	—	3.1	3.1	—	3.1
Deferred tax on pension scheme actuarial losses	—	—	—	—	—	(0.2)	(0.2)	—	(0.2)
Total other comprehensive income for the period	**—**	**—**	**—**	**—**	**(3.3)**	**2.9**	**(0.4)**	**—**	**(0.4)**
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**(3.3)**	**(124.5)**	**(127.8)**	**—**	**(127.8)**
Transactions with owners									
Share based payments	0.1	2.6	—	0.2	—	—	2.9	—	2.9
Issue of convertible debt	1.4	85.9	(87.2)	—	—	—	0.1	—	0.1
Purchase of own shares	—	—	—	—	—	—	—	—	—
Dividend	—	(8.3)	—	—	—	—	(8.3)	—	(8.3)
Non-controlling interest in subsidiary disposed of	—	—	—	—	—	—	—	0.5	0.5
At end of period	**7.5**	**288.3**	**—**	**—**	**(15.7)**	**116.4**	**396.5**	**—**	**396.5**

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

Condensed Consolidated Statement of Financial Position as at 30 June 2022

	Note	30 June 2022 (unaudited) $m	30 June 2021 (unaudited) $m	31 December 2021 (audited) $m
Assets				
Intangible assets		77.9	82.8	86.2
Investments in associates		21.5	47.7	46.2
Property, plant and equipment		2.0	1.8	2.1
Right of use assets		5.0	5.7	6.1
Investment properties		1.7	1.9	1.8
Financial instruments		1,486.1	1,490.6	1,533.1
Reinsurers' share of insurance liabilities	7	2,387.8	1,376.6	2,105.6
Current tax assets		4.3	—	3.6
Deferred tax assets		32.9	7.9	20.4
Insurance and other receivables		879.7	794.0	1,096.3
Cash and cash equivalents		375.8	224.8	266.3
Total assets		**5,274.7**	**4,033.8**	**5,167.7**
Liabilities				
Insurance contract provisions	7	3,437.0	2,616.7	3,207.5
Financial liabilities		391.0	372.1	406.5
Deferred tax liabilities		7.5	13.3	9.0
Insurance and other payables	9	1,155.1	523.8	1,140.1
Current tax liabilities		3.5	3.2	2.4
Pension scheme obligations		6.0	8.8	5.7
Total liabilities		**5,000.1**	**3,537.9**	**4,771.2**
Equity				
Share capital	11	8.1	7.4	7.5
Share premium		322.8	293.6	288.3
Foreign currency translation reserve		(49.5)	(10.4)	(15.7)
Retained earnings		(6.8)	205.3	116.4
Attributable to equity holders of the parent		**274.6**	**495.9**	**396.5**
Non-controlling interests in subsidiary undertakings		—	—	—
Total equity		**274.6**	**495.9**	**396.5**
Total liabilities and equity		**5,274.7**	**4,033.8**	**5,167.7**

The Condensed Consolidated Financial Statements were approved by the Board of Directors on 4 September 2022 and were signed on its behalf by:

W L Spiegel T S Solomon

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

Condensed Consolidated Cash Flow Statement	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
	(unaudited)	(unaudited)	(audited)
	$m	$m	$m
Cash flows from operating activities			
Loss for the period	(136.7)	(36.8)	(127.4)
Tax included in consolidated income statement	—	(8.6)	(34.6)
Finance costs	14.5	13.6	26.5
Depreciation and impairments	1.2	0.3	2.9
Share based payments	—	0.5	2.8
Share of profits of associates	(5.2)	(5.7)	(11.2)
Profit on divestment	—	(2.6)	(2.6)
Goodwill on bargain purchase	(0.2)	(22.7)	(49.7)
Amortisation and impairment of intangible assets	5.1	6.9	13.3
Fair value loss on financial assets	100.0	6.3	17.7
Contributions to pension scheme	(0.5)	(0.5)	(1.1)
Profit on net assets of pension schemes	0.3	—	0.1
Decrease/(increase) in receivables	219.6	(109.0)	(409.5)
Decrease in deposits with ceding undertakings	3.4	160.0	158.7
Increase in payables	16.6	98.0	705.7
Decrease in net insurance technical provisions	(37.2)	(27.7)	(193.5)
Net cash from operating activities	**180.9**	**72.0**	**98.1**
Cash flows to investing activities			
Purchase of property, plant and equipment	(0.2)	(0.1)	(0.7)
Sale of financial assets	134.9	61.2	100.8
Purchase of financial assets	(245.5)	(340.2)	(397.6)
Acquisition of subsidiary undertaking (offset by cash acquired)	0.6	41.4	46.7
Distributions from associates	29.9	3.3	10.3
Divestment (offset by cash disposed of)	—	3.5	3.5
Net cash used in investing activities	**(80.3)**	**(230.9)**	**(237.0)**
Net cash from financing activities			
Repayment of borrowings	(9.7)	(27.7)	(42.0)
New borrowing arrangements	9.1	58.3	121.7
Dividend	—	—	(8.3)
Interest and other finance costs paid	(14.5)	(13.6)	(26.5)
Cancellation of shares	—	(0.8)	—
Receipts from issue of shares	35.1	—	—
Net cash from financing activities	**20.0**	**16.2**	**44.9**
Net (decrease)/increase in cash and cash equivalents	120.6	(142.7)	(94.0)
Cash and cash equivalents at beginning of period	266.3	363.5	363.5
Foreign exchange movement on cash and cash equivalents	(11.1)	4.0	(3.2)
Cash and cash equivalents at end of period	**375.8**	**224.8**	**266.3**
Share of Syndicates' cash restricted funds	37.0	57.8	50.7
Other funds	338.8	167.0	215.6
Cash and cash equivalents at end of period	**375.8**	**224.8**	**266.3**

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 2022 and 2021 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 2021. There have been no amendments to accounting policies or new International Financial Reporting Standards adopted by the Group.

The Group will be voluntarily changing its basis of accounting from IFRS to the Generally Accepted Accounting Principles in the United States of America ("US GAAP") and will present its consolidated financial statements in US GAAP effective 1 January 2023. The reason for this change is due to the meaningful ongoing costs to conform with IFRS 17, which would place R&Q at a significant competitive disadvantage in the Legacy Insurance market, where most of the market participants report under US GAAP. The data requirements of IFRS 17 for run-off insurance policies and reinsurance contracts drive implementation costs for both existing and future transactions that are more than double that required under US GAAP.

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 – delegates underwriting authority to Managing General Agents (MGAs) to provide program capacity through its licensed platforms in the US and Europe
- Legacy Insurance – acquires legacy portfolios and manages the run-off of claims reserves
- Corporate/Other – primarily includes the holding company and interest expense on debt

The Group uses alternative performance measures which are described below.

Segmental results for the six months ended 30 June 2022

	Note	Program Management	Legacy Insurance	Corporate / Other	Total
		$m	$m	$m	$m
Underwriting income	(i)	(2.1)	(3.4)	—	(5.5)
Fee income	(ii)	44.3	8.8	—	53.1
Investment income	(iii)	1.0	6.7	—	7.7
Gross operating income	(iv)	**43.2**	**12.1**	**—**	**55.3**
Fixed operating expenses	(v)	(19.9)	(38.8)	(6.7)	(65.4)
Interest expense		—	—	(14.2)	(14.2)
Pre-tax operating profit/(loss)	(vi)	**23.3**	**(26.7)**	**(20.9)**	**(24.3)**
Deduction for unearned program fee revenue	(vii)				(14.9)
Movement on net intangibles	(viii)				(4.9)
Net unrealised and realised losses	(ix)				(100.0)
Non-core and exceptional items	(x)				(13.0)
Foreign exchange	(xi)				20.4
Loss before tax					**(136.7)**
Segment assets as at 30 June 2022		1,694.2	3,398.1	182.4	5,274.7
Segment liabilities as at 30 June 2022		1,618.1	3,102.7	279.3	5,000.1

Segmental results for the six months ended 30 June 2021

	Note	Program Management	Legacy Insurance	Corporate / Other	Total
		$m	$m	$m	$m
Underwriting income	(i)	(1.2)	20.3	—	19.1
Fee income	(ii)	25.1	—	—	25.1
Investment income	(iii)	0.9	9.2	1.5	11.6
Gross operating income	(iv)	**24.8**	**29.5**	**1.5**	**55.8**
Fixed operating expenses	(v)	(14.9)	(44.3)	(8.3)	(67.5)
Interest expense		—	—	(11.8)	(11.8)
Pre-tax operating profit/(loss)	(vi)	**9.9**	**(14.8)**	**(18.6)**	**(23.5)**
Deduction for unearned program fee revenue	(vii)				(5.5)
Movement on net intangibles	(viii)				(3.3)
Net unrealised and realised losses	(ix)				(6.5)
Non-core and exceptional items	(x)				(6.6)
Loss before tax					**(45.4)**
Segment assets as at 30 June 2021		1,170.4	2,683.9	179.5	4,033.8
Segment liabilities as at 30 June 2021		1,105.0	2,121.9	311.0	3,537.9

Segmental results for the year ended 31 December 2021

	Note	Program Management	Legacy Insurance	Corporate / Other	Total
		$m	$m	$m	$m
Underwriting income	(i)	(1.1)	58.5	—	57.4
Fee income	(ii)	56.1	—	—	56.1
Investment income	(iii)	2.7	19.3	2.8	24.8
Gross operating income	(iv)	**57.7**	**77.8**	**2.8**	**138.3**
Fixed operating expenses	(v)	(37.1)	(83.5)	(16.0)	(136.6)
Interest expense		—	—	(22.7)	(22.7)
Pre-tax operating profit/(loss)	(vi)	**20.6**	**(5.7)**	**(35.9)**	**(21.0)**
Deduction for unearned program fee revenue	(vii)				(13.2)
Movement on net intangibles	(viii)				2.3
Net unrealised and realised gains/(losses)	(ix)				(18.4)
Non-core and exceptional items	(x)				(111.7)
Loss before tax					**(162.0)**
Segment assets as at 31 December 2021		1,039.6	4,113.3	14.8	5,167.7
Segment liabilities as at 31 December 2021		864.1	3,292.2	614.9	4,771.2

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 income which represents the fee income from insurance policies already bound (written), regardless of the amount of premium earned in the financial period, earnings from minority stakes in MGAs, and legacy insurance fee income earned on business ceded to Gibson Re.

(iii) Investment income represents income arising on the investment portfolio excluding net realised and unrealised investment gains or losses on fixed income 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 income, intangibles created in Legacy acquisitions, net realised and unrealised investment gains on fixed income assets and exceptional exchange net gains upon consolidation and non-core, non-recurring costs.

(vii) Unearned program fee income represents the portion of program fee income (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) Realised and unrealised net gains arise on fixed income assets, which are primarily driven by interest rate movements.

(x) Non-core and exceptional items comprise the result of entities which are considered non-core or exceptional P&L items.

(xi) Foreign exchange represents translation of net liabilities denominated in non-US$ currency, which in H1 2022 was material due to the significant strengthening of the US$ (in H1 2021 this was not material and was included in operating expenses).

Geographical analysis

As at 30 June 2022

	UK	North America	Europe	Total
	$m	$m	$m	$m
Gross assets	1,501.1	2,740.6	1,367.0	5,608.7
Intercompany eliminations	(123.3)	(155.5)	(55.3)	(334.1)
Segment assets	1,377.8	2,585.1	1,311.7	5,274.6
Gross liabilities	1,387.5	2,704.7	1,242.0	5,334.2
Intercompany eliminations	(231.1)	(67.8)	(35.2)	(334.1)
Segment liabilities	1,156.4	2,636.9	1,206.8	5,000.1
External revenue for the six months ended 30 June 2022	(21.4)	(36.3)	40.9	(16.8)

Revenue from external customers represents the Group's total consolidated income, after elimination of internal revenue.

As at 30 June 2021

	UK	North America	Europe	Total
	$m	$m	$m	$m
Gross assets	1,319.5	1,893.1	1,179.7	4,392.3
Intercompany eliminations	(195.0)	(98.7)	(64.8)	(358.5)
Segment assets	1,124.5	1,794.4	1,114.9	4,033.8
Gross liabilities	1,133.7	1,718.9	1,043.7	3,896.3
Intercompany eliminations	(253.5)	(50.2)	(54.8)	(358.5)
Segment liabilities	880.2	1,668.7	988.9	3,537.8
External revenue for the six months ended 30 June 2021	21.4	87.8	13.6	122.8

Revenue from external customers represents the Group's total consolidated income, after elimination of internal revenue.

As at 31 December 2021

	UK	North America	Europe	Total
	$m	$m	$m	$m
Gross assets	1,716.7	2,418.6	1,331.9	5,467.2
Intercompany eliminations	(137.4)	(103.5)	(58.6)	(299.5)
Segment assets	1,579.3	2,315.1	1,273.3	5,167.7
Gross liabilities	1,307.3	2,566.5	1,196.9	5,070.7
Intercompany eliminations	(238.3)	(12.2)	(49.0)	(299.5)
Segment liabilities	1,069.0	2,554.3	1,147.9	4,771.2
External revenue for the year ended 31 December 2021	7.9	59.6	41.3	108.8

Revenue from external customers represents the Group's total consolidated income, after elimination of internal revenue.

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 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
	$m	$m	$m	$m
Government and government agencies	372.8	—	—	372.8
Corporate bonds	1,010.0	22.2	—	1,032.2
Equities	19.8	4.4	—	24.2
Investment funds	17.8	20.6	—	38.4
Purchased reinsurance receivables	—	—	6.5	6.5
Total financial assets measured at fair value	**1,420.4**	**47.2**	**6.5**	**1,474.1**

As at 30 June 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
	$m	$m	$m	$m
Government and government agencies	316.4	—	—	316.4
Corporate bonds	987.2	50.0	—	1,037.2
Equities	12.9	0.3	—	13.2
Investment funds	20.4	84.0	—	104.4
Purchased reinsurance receivables	—	—	6.4	6.4
Total financial assets measured at fair value	**1,336.9**	**134.3**	**6.4**	**1,477.6**

As at 31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
	$m	$m	$m	$m
Government and government agencies	330.9	—	—	330.9
Corporate bonds	999.0	56.9	—	1,055.9
Equities	11.6	0.3	—	11.9
Investment funds	—	112.6	—	112.6
Purchased reinsurance receivables	—	—	6.6	6.6
Total financial assets measured at fair value	**1,341.5**	**169.8**	**6.6**	**1,517.9**

The following table shows the movement on Level 3 assets measured at fair value for the six months ended 30 June 2022 and 2021, and the year ended 31 December 2021: -

	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December
	$m	$m	$m
Opening balance	6.6	6.4	6.4
Total net gains recognised in the Consolidated Income Statement	(0.1)	—	0.2
Closing balance	**6.5**	**6.4**	**6.6**

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 2022	Six months ended 30 June 2021	Year ended 31 December 2021
	$m	$m	$m
Interest income	10.2	11.6	24.1
Realised gains/(losses) on investments	(12.0)	2.8	3.8
Unrealised (losses)/gains on investments	(88.0)	(9.0)	(21.5)
	(89.8)	**5.4**	**6.4**

6. Income tax

	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
	$m	$m	$m
Tax credit	14.3	8.6	34.6

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

7. Insurance contract provisions and reinsurance balances

	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
Gross	$m	$m	$m
Insurance contract provisions at beginning of period	3,207.5	2,402.8	2,402.8
Claims paid	(311.3)	(228.9)	(485.9)
Increase in provisions arising from acquisition and disposal of subsidiary undertakings and syndicate participations	0.5	38.2	91.1
Increase in provisions arising from acquisition of reinsurance portfolios	—	74.3	430.4
Increase in claims provisions	434.9	167.1	524.0
Increase in unearned premium reserve	256.0	131.3	279.3
Net exchange differences	(150.6)	31.9	(34.2)
Insurance contract provisions at end of period	**3,437.0**	**2,616.7**	**3,207.5**

Reinsurance	Six months ended 30 June 2022 $m	Six months ended 30 June 2021 $m	Year ended 31 December 2021 $m
Reinsurers' share of insurance contract provisions at beginning of period	2,105.6	1,180.6	1,180.6
Proceeds from commutations and reinsurers' share of gross claims paid	(201.8)	(106.3)	(154.2)
Increase in provisions arising from acquisition and disposal of subsidiary undertakings and syndicate participations	—	—	164.2
Increase in provisions arising from acquisition of reinsurance portfolios	—	—	247.5
Increase in claims provisions	395.9	146.8	416.9
Increase in unearned premium reserve	222.7	131.1	267.0
Net exchange differences	(134.6)	24.4	(16.4)
Reinsurers' share of insurance contract provisions at end of period	**2,387.8**	**1,376.6**	**2,105.6**

Net	Six months ended 30 June 2022 $m	Six months ended 30 June 2021 $m	Year ended 31 December 2021 $m
Net claims outstanding at beginning of period	1,101.9	1,222.2	1,222.2
Net claims paid and proceeds from commutations	(109.5)	(122.6)	(331.7)
Increase/(decrease) in provisions arising from acquisition of subsidiary undertakings and syndicate participations	0.5	38.2	(73.1)
Increase in provisions arising from acquisition of reinsurance portfolios	—	74.3	182.9
Increase in claims provisions	39.0	20.3	107.1
Increase in unearned premium reserve	33.3	0.2	12.3
Net exchange differences	(16.0)	7.5	(17.8)
Net claims outstanding at end of period	**1,049.2**	**1,240.1**	**1,101.9**

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 and Syndicate participations in run-off. Significant uncertainty arises in the quantification of technical provisions for all insurance entities and Lloyd's Syndicates 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 and Syndicate participations 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 regularly 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 future 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 and Syndicate participations within the Group are covered by a variety of treaty, excess of loss and stop loss reinsurance programs.

8. Earnings per share

	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
	No. 000's	No. 000's	No. 000's
Weighted average number of Ordinary shares	276,263.0	267,915.0	271,611.0
Effect of dilutive share options	—	—	—
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	276,263.0	267,915.0	271,611.0
	$m	$m	$m
Earnings per share for profit from operations			
Loss for the period attributable to Ordinary shareholders	(122.4)	(36.8)	(127.4)
Basic earnings per share	(44.3)c	(13.7)c	(46.9)c
Diluted earnings per share	(44.3)c	(13.7)c	(46.9)c

9. Insurance and other payables

	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
	$m	$m	$m
Structured liabilities	506.2	516.4	506.2
Structured settlements	(506.2)	(516.4)	(506.2)
	—	—	—
Other creditors	1,155.1	523.8	1,140.1
	1,155.1	523.8	1,140.1

Structured Settlements

No new structured settlement arrangements have been entered into during the period. 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 2022 was $382.0m (30 June 2021: $362.7m, 31 December 2021: $395.9m).

The Group has issued the following debt:

Issuer	Principal	Rate	Maturity
R&Q Insurance Holdings Ltd	$70,000k	6.35% above USD LIBOR	2028
R&Q Insurance 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 R&Q Insurance Holdings Ltd.

11. Issued share capital

Issued share capital as at 30 June 2022 amounted to $8.1m (30 June 2021: $7.4m, 31 December 2021: $7.5m).

During the period the Group issued 27,425,612 ordinary shares at £1.05 per share.

12. Guarantees and indemnities in the ordinary course of business

The Group 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 2022, the Group made one business combination of run-off portfolios. The Group's business combination involved a Legacy Insurance transaction and has 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 business:

	Intangible assets	Other receivables	Cash & investments	Other payables	Technical provisions	Tax	Net assets acquired	Consideration	Goodwill on bargain purchase
	$m	$m	$m	$m	$m	$m	$m	$m	$m
La Vittoria	0.1	—	0.6	—	(0.5)	—	**0.2**	—	**0.2**
	0.1	**—**	**0.6**	**—**	**(0.5)**	**—**	**0.2**	**—**	**0.2**

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 entity 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 entity 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 2022:

La Vittoria
On 4 May 2022, Accredited Insurance (Europe) Limited completed the novation from SCOR SE Rappresentanza Generale Per l'Italia (as legal successor to La Vittoria Riassicurazioni) ("La Vittoria"), a French domiciled insurance company, of La Vittoria's participations in the Excess and Casualty Reinsurance Association ("ECRA") pool. The policies covered property and casualty risks underwritten from 1973 to 1980.

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 2022	Six months ended 30 June 2021	Year ended 31 December 2021
	$m	$m	$m
A K Quilter and family	—	—	0.1
W L Spiegel	—	—	0.2
T S Solomon	—	—	—

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 2022	Six months ended 30 June 20201	Year ended 31 December 2021
Average			
UK Sterling	0.77	0.72	0.73
Euro	0.92	0.83	0.84
Spot			
UK Sterling	0.82	0.72	0.75
Euro	0.95	0.84	0.88

17. Contingent liability

Attention is drawn to Note 7 which sets out the uncertainties inherent in assessing outstanding claims reserves in the ordinary course. The Group's insurance contract provisions include a provision for costs only in respect of a potential accumulation of claims from a single policyholder in the Group's Legacy business. The claims involve multiple uncertainties including questions relating to liability, coverage, incidence, quantum and other legal and technical issues. Management has concluded that it is not possible to measure the appropriate reserve for these claims with sufficient reliability. Based on the documentation made available to date, and expert opinion and legal advice, management believes that it is not probable that any significant amount, other than costs, will be payable to settle the claim; however, the ultimate cost of the claims could be materially higher. In the circumstances, and in accordance with IAS 37, management has concluded that it is not currently appropriate to recognize any estimate of the possible outcome but to disclose the position as a contingent liability.