Interim results for the six months ended 30 June 2020

30% increase in Pre-Tax Operating Profit driven by strong growth across both business lines with the Group well positioned to capitalise on favourable market conditions

Randall & Quilter Investment Holdings Ltd. (AIM-RQIH), the non-life global specialty insurance company focusing on the Program Management and Legacy Insurance businesses, announces the Group's results for the six months ended 30 June 2020 ("H1 2020").

H1 2020 Highlights

Group

- Pre-Tax Operating Profit increased 30% to £10.4m (*H1 2019: £8.0m)*
- Profit Before Tax of £0.6m *(H1 2019: £33.1m)*
- Proposed Interim Distribution per Share of 3.8p *(H1 2019: 3.8p)*

Program Management

- Contracted Premium increased 95% to $925m *(30 June 2019: $475m)*
- Economic Commissions Revenue grew 88% to $10.7m *(H1 2019: $5.7m)*
- Economic EBITDA gain (loss) of $0.8m *(H1 2019: $(0.3)m)*
- 10 new programs added, increasing total active programs to 36 at period end

Legacy

- Net Reserves Acquired increased 81% to £267m *(H1 2019: £148m)*
- Operating Return on Tangible Capital of 17.7% *(H1 2019: 14.1%)*
- Operating Return on Tangible Equity of 23.3% *(H1 2019: 16.4%)*
- Completed nine transactions across seven different jurisdictions

Balance Sheet

- Cash and Investments increased 5% to £772m *(YE 2019: £737m)*
- Net Asset Value per Share increased 3% to 151.5p *(YE 2019: 147.2p)*

Franchise and Platform

- Raised $100m of new equity, strengthening our capital base and increasing our Group Solvency Ratio to 191%
- Bolstered leadership with key hires: Deputy Executive Chairman, Group CFO and CEO of US Excess & Surplus Lines (E&S)
- Expanded our footprint and capabilities including launching a US E&S carrier, establishing new branches in the UK and Italy to strengthen our Program Management offering, and securing licenses to write third-party Legacy business in Bermuda
- Invested in a growing MGA, Tradesman Program Managers, LLC, securing Program Management fees and adding valuable investment

Summary Financial Performance (see Notes for definitions)

(£m, except where noted)	H1 2020	H1 2019	Change
Group Results			
Pre-Tax Operating Profit	10.4	8.0	30.0%
Profit Before Tax	0.6	33.1	(98.2)%
Investment Portfolio Book Yield	1.8%	2.2%	(0.4)%
Earnings per Share	0.4p	19.2p	(18.8)p
Distribution per Share	3.8p	3.8p	0.0p
Business Segment Metrics			
Program Management ($m)			
Contracted Premium (period end)	924.9	475.2	94.6%
Gross Written Premium	247.2	173.4	42.6%
Economic Commission Income	10.7	5.7	87.7%
Economic EBITDA	0.8	(0.3)	NM
Legacy			
Net Reserves Acquired	267.3	147.5	81.2%
Operating Return on Tangible Capital	17.7%	14.1%	3.6%
Operating Return on Tangible Equity	23.3%	16.4%	6.9%

	30 Jun 2020	31 Dec 2019	Change
Balance Sheet Items			
Cash and Investments	771.8	737.0	4.7%
Total Equity	394.7	288.3	36.9%
Net Asset Value per Share	151.5p	147.2p	2.9%

Commenting on the results for the year, Ken Randall, Alan Quilter and William Spiegel, said:

"Our first half 2020 financial results were impacted by Covid-19 due to the already announced reduction in total investment returns, delays in on-boarding new Program Management business and by a change in the mix of Legacy transactions, resulting in Profit Before Tax of £0.6 million. Nonetheless we continued to generate strong operating performance in both Program Management and Legacy translating into Group Pre-Tax Operating Profit of £10.4 million, a 30% increase compared with H1 2019. The Board expects that fiscal year 2020 results will be in line with market expectations.

Our Program Management business achieved meaningful growth and generated record results across all key metrics. Over the past 12 months we have expanded our MGA relationships by adding 10 new programs, bringing the total number of active programs to 36 at 30 June 2020. Our Contracted Premium, an indicator of future annual Gross Written Premium, increased by 95% year-over-year to $925 million. In the first half of 2020, Gross Written Premium grew by 43% to $247.2 million, and Economic Commission Income increased by 88% to $10.7 million. This strong revenue performance enabled us to generate positive Economic EBITDA of $0.8 million and a margin of 7.5% compared with a loss in H1 2019. As we grow Gross Written Premium, we are beginning to witness the benefits of scale in our profit margin. We continued to grow in H2 2020, so far adding four new programs, increasing our total number of programs to 40 and Contracted Premium to $1.1 billion. We also agreed to take a 35% interest in one of our existing MGA partners, Tradesman Program Managers LLC, which not only solidified our partnership but should prove to be a valuable investment for the Group.

Our Legacy business completed a record nine transactions in seven jurisdictions in H1 2020. From those nine deals we acquired Net Reserves of £267.3 million, an increase of 81% over H1 2019. Our mix of business in H1 2020 skewed towards larger reinsurance deals with counter-parties such as Renaissance Reinsurance, Allianz and Houston International Insurance Group, whereas our mix of business in H1 2019 was heavily influenced by the Global Re acquisition. We target returns of at least 15% in all Legacy transactions regardless of the accounting treatment of reinsurance and acquisitions. In H1 2020, we produced solid Operating Returns on Tangible Capital and Equity of 17.7% and 23.3%, respectively. Our growth has continued into the second half of the year with four additional transactions already signed and we have several other deals under exclusivity.

Our investment portfolio is comprised almost entirely of high-quality fixed-income investments. Only 3% of our portfolio is invested in below investment grade bonds, and the portfolio has a duration of 1.7 years. However, as a consequence of negative market reactions to the economic uncertainty that prevailed during the early months of the pandemic, we recognised £(7.1) million of net realised and unrealised Losses in H1 2020 compared with £8.8 million of gains in H1 2019. These losses in

H1 2020 substantially reversed themselves in the second half of the year.

We are pleased to announce that the Board has recommended an interim distribution to shareholders of 3.8p per share in cash. We are proud of R&Q's consistent record of distributions to our shareholders.

In 2020 we have been active in continuing to build and develop our platform, bolstering our management team and expanding our footprint and capabilities. We recruited a Deputy Executive Chairman, a Group CFO and a CEO of US Excess & Surplus Lines. We also launched our US Excess & Surplus Lines company, set up new branches in the UK and Italy to strengthen our Program Management offering, and raised $100 million of equity for growth, including establishing these initiatives as well as for funding of Legacy transactions.

Despite unprecedented challenges introduced by Covid-19, we have had minimal disruptions to our operations. Importantly, we are excited by the opportunities available to us in the current market. Covid-19 and other market events have generated significant losses for the insurance industry, creating a "hardening" insurance environment and increasing the demand for our Legacy and Program Management solutions. We have a strong balance sheet, expertise, relationships and the track-record to capture the additional growth in front of us. However, as is our tradition, we will be patient and disciplined as we continue to grow our business."

A shareholders' presentation is available on our web site at: http://www.rqih.com/investors/shareholder-information/investor-presentations/

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Notes
Pre-Tax Operating Profit for Group is a measure of how our core businesses performed adjusted for intangibles created in Legacy acquisitions and net realised and unrealised investment gains.

Cash and Investments exclude funds withheld and off-balance sheet trusts, for which we do not earn investment income.

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

Economic Commission Revenue for Program Management represents the commission revenue from insurance policies already bound (written), regardless of the length of the underlying policy period (earned). We believe Economic Commission 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.*

Economic EBITDA for Program Management is equal to IFRS EBITDA plus unearned commission revenue and excludes net realised and unrealised investment gains.

Economic EBITDA Margin for Program Management is our profit margin on Economic Commissions.

Operating EBIT and Pre-Tax Operating Profit for Legacy are adjusted for intangibles created in acquisitions and net realised and unrealised investment gains.

Average Operating Tangible Capital for Legacy is based on the Group's economic capital models, excluding intangible assets created in acquisitions, net unrealised investment gains and the impact of FX.

Average Operating Tangible Equity for Legacy includes allocated debt.

Operating Return on Tangible Capital and Equity for Legacy have been annualised for interim reporting periods.

REPORT OF THE EXECUTIVE DIRECTORS

Financial Results

Our first half 2020 financial results were impacted by Covid-19 due to the already announced reduction in total investment returns, delays in on-boarding new Program Management business and by a change in the mix of Legacy transactions, which lowered Profit Before Tax. Nonetheless we continued to generate strong operating performance and positioned our platform for the growth opportunities available in the current "hard" insurance market. The Board expects that fiscal year 2020 results will be in line with market expectations.

Despite the impact of Covid-19 and the work from home environment, R&Q reported strong operating results across almost every metric we track in managing our business. We are witnessing increasing demand for our services as both of our businesses continue to become recognised as key components of the global insurance market. Legacy is an important element of capital management and Program Management is critical in facilitating the growth of independent insurance distribution. This demand has been enhanced by recent large insurance events and the decline in global interest rates.

The supportive underlying trends we are seeing for both businesses are reflected in the strong operating results reported by each for H1 2020. In Program Management, we recorded record numbers for Contracted Premium ($925 million), Gross Written Premium ($494 million annualised), Economic Commission Revenue ($21.4 million annualised) and Economic EBITDA ($0.8 million). In Legacy we closed a record number of transactions in a half year period (9) and acquired substantial net reserves (£267 million), producing strong Operating Returns on Tangible Capital (17.7%) and Equity (23.3%). The successful results in both Program Management and Legacy translated into strong Group Pre-Tax Operating Profit (£10.4 million), which grew by 30% compared with H1 2019. Our Profit Before Tax (£0.6 million) fell relative to H1 2019 reflecting Covid-related net realised and unrealised investment losses (which have since recovered) and a mix of Legacy deals in favour of reinsurance over acquisitions. In H1 2020, we raised $100 million of equity to support our growth, including establishing our new UK and Italian branches as well as our US Excess & Surplus lines company and for funding of Legacy transactions.

Program Management

Our Program Management segment, which operates under the Accredited brand in the US, UK, and Europe, continued to grow rapidly in H1 2020. We started our Program Management business at the end of 2016 with two MGA relationships and as of the end of H1 2020, we had 36 active programs with $925 million in Contracted Premium. Our momentum has carried forward into H2 2020 as we signed up four new programs bringing our Contracted Premium to $1.1 billion.

The Program Management business allows us to leverage our licenses and relationships with MGAs and reinsurers to earn predictable, recurring fee-based revenue with high margins. On average, R&Q receives annual recurring commissions of approximately 5% of Gross Written Premium. Our results are beginning to show the benefits of scale, as we earned positive Economic EBITDA in H1 2020 and a 7.5% margin, compared with a loss in H1 2019. Gross Written Premium grew 43% to $247.2 million in H1 2020. In the first half of 2020, Covid-19 caused delays in implementing new programs and slowed the ramp of some existing programs. We believe these issues are abating as we move into the second half of the year.

Our Program Management business has several avenues of growth over the next few years. First, we have built-in growth from our existing programs as our Gross Written Premium ($494.4 million annualised) converges with our Contracted Premium ($1.1 billion), without any corresponding expenses. Second, we anticipate that the current "hard" insurance market will increase our existing Gross Written Premium as it re-prices higher on renewal, without any additional expenses. Third, we established a UK branch of our Maltese carrier enabling us to continue to underwrite and service our UK partners post Brexit. Fourth, in the summer of 2020 we opened a branch in Milan, Italy, enabling us to better address the needs of MGAs and other clients in that country. Finally, we formed a US Excess and Surplus (E&S) Lines company in the third quarter of 2020, expanding our addressable market. The E&S market is large and growing, producing annual premium of approximately $55 billion. To lead our efforts, we recently announced the hiring of Pat Rastiello as CEO of Accredited Specialty Insurance Company, our newly formed E&S carrier. Pat joins us from Aon and brings with him senior program experience and MGA relationships.

In the third quarter of 2020, we also announced we were deepening our financial and strategic partnership with one of our fast-growing US-based MGA partners, Tradesman Program Managers LLC. The transaction not only strengthens our Program Management relationship with Tradesman, but our 35% strategic stake in the business should prove to be a valuable investment. Tradesman reported EBITDA of $8.1 million in 2019, the basis on which the valuation was agreed, and has grown rapidly in H1 2020.

Legacy

Our Legacy business continues to thrive and grow. Legacy has been at the core of R&Q since its founding and we have completed over 100 transactions in 35 regulatory jurisdictions since 2009. We had a very strong H1 2020, concluding nine transactions in seven jurisdictions and acquiring Cash and Investments of £320.3 million and Net Reserves of £267.3 million. Our larger transactions in the first half of 2020 were reinsurance deals with blue chip insurance companies such as Allianz, Houston International Insurance Group and Renaissance Reinsurance, all of whom worked with us as part of their capital management strategies. While we had a busy first half, traditionally our legacy business is more active in the second half of the year. So far in H2 2020, we have signed four additional transactions totalling £8.1 million of Net Reserves and our current pipeline of deals is robust.

We remain keenly focused on pricing and risk and target returns of at least 15% in our Legacy transactions regardless of the accounting treatment of reinsurance and acquisitions. In the first half of 2020, we generated an Operating EBIT of £30.2 million and a Pre-Tax Operating Profit of £25.9 million, producing an Operating Return on Tangible Capital of 17.7% and Equity of 23.3%. When evaluating the performance of our Legacy business, we also focus on Operating Return on Tangible Capital and Equity over time. We are pleased that our five-year Operating Return on Tangible Capital and Equity are 16.3% and 21.4%, respectively, a testament to our disciplined approach to underwriting.

The current market environment is giving rise to attractive opportunities. The impact from Covid-19 and other insurance events have eroded the capital position of many insurance market participants, who are also facing challenged returns in their investment portfolios. At the same time, the prospect of hardening rates is increasing the demand for Legacy solutions that free up capital, which insurers can subsequently redeploy. These factors should increase the supply of Legacy opportunities, which is estimated at $800 billion globally.

We are uniquely positioned to capitalise on the increasing demand for Legacy solutions. At R&Q we possess a broad platform and offer a full range of solutions to clients. We have rated and fully licensed carriers in the US, UK and Europe, a Lloyd's platform, and have recently been approved to transact third party business in Bermuda. Importantly, we possess the expertise and track record to execute transactions across different types of structures and lines of business and our strong historical financial performance and recent equity raise provide us with the balance sheet and capital to pursue these very attractive opportunities.

Cash and Investments

Our cash and investment portfolio at 30 June 2020, excluding funds withheld and off-balance sheet trusts, was £772 million. We produced book yield of 1.8% in H1 2020, which was approximately 0.4% lower than our book yield in H1 2019, due to the impact of lower interest rates globally. The 2-Year US Treasury yield was 2.00% at 30 June 2019, and just 0.16% at 30 June 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. At 30 June 2020, 94% of our investments were rated investment grade, and another 3% of our portfolio was invested in money market and bond funds that maintain high average ratings. After cash, which comprised 31% of our portfolio, our largest allocations were to corporate bonds (22%), government and municipal securities (21%) and asset-backed securities (19%). 83% of our portfolio was US Dollar-denominated, and our portfolio had an average duration of 1.7 years.

During H1 2020, financial markets witnessed heightened volatility arising out of Covid-19 concerns, and, despite the high quality and short duration nature of our portfolio, we were not immune from those impacts. Our investment portfolio incurred net realised and unrealised losses of £(7.1) million, and our total investment return, when including mark-to-market movements, was 0.3%. These losses have substantially reversed themselves in the second half of 2020.

Capital and Liquidity

As a result of our $100 million equity raise in H1 2020, we strengthened our balance sheet. At 30 June 2020 we had total capital of £506 million, an increase of £74 million relative to 31 December 2019. Our capital resources are comprised of equity (78%), senior and subordinated debt (19%), and bank debt (3%). Since year-end 2019, we have reduced our adjusted debt to capital ratio from 30% to 20%.

Our Group Solvency ratio is very strong and increased from 177% at 31 December 2019 to 191% 30 June 2020. At 30 June 2020, we had holding company liquidity of £100 million, including the undrawn bank revolver capacity. Since 30 June 2020, we have utilised cash and capital to establish our new UK and Italian branches as well as our US Excess & Surplus lines company and to fund Legacy transactions.

Return of Capital

We are pleased to continue our long history of paying a return to our shareholders. The Board is recommending an interim distribution of 3.8p per share which will be payable in late November 2020. We are proud of R&Q's consistent record of distributions to our shareholders.

Leadership and Management

In our year-end 2019 note, we mentioned our plans to broaden and deepen our management team. We are pleased to report that we continue to recruit and attract exceptional talent. In addition to William Spiegel, who joined us as Executive Director and Deputy Group Chairman in January 2020, we recently added Tom Solomon as Group Chief Financial Officer and Pat Rastiello as CEO of Accredited Specialty. Tom and Pat arrived at R&Q after very successful careers at Bank of America and Aon, respectively.

While we continue to successfully operate our business through the pandemic, Covid-19 has changed the way we work and interact as a Group. Our employees across the globe have worked exceedingly hard to keep the business running, and to all of them we want to extend our heartfelt thanks for their hard work and dedication in what are clearly unique circumstances.

Outlook

We believe the current "hard" market conditions and secular market trends in both Legacy and Program Management are very supportive of our strategy. Program Management is poised to continue its rapid growth and convert future fees to profits, while Legacy continues to develop as a valued partner to mainstream insurers. We believe we are well positioned to take advantage of the opportunities in front of us to drive further profitable growth for the Group.

We are proud of what we have been able to achieve in the first half of 2020, and the value we have created for our shareholders and other stakeholders. We continue to be excited by the future of R&Q

Ken Randall, Alan Quilter, William Spiegel

Condensed Consolidated Income Statement for the six months ended 30 June 2020

	Note	Six months ended 30 June 2020 (unaudited) £000	Six months ended 30 June 2019 (unaudited) £000	Year ended 31 December 2019 (audited) £000 restated
Gross premiums written		512,147	226,062	450,187
Reinsurers' share of gross premiums		(193,796)	(138,262)	(285,033)
Premiums written, net of reinsurance		318,351	87,800	165,154
Change in gross provision for unearned premiums		(39,065)	(55,755)	(94,315)
Change in provision for unearned premiums, reinsurers' share		47,619	58,722	103,687
Net change in provision for unearned premiums		8,554	2,967	9,372
Earned premiums net of reinsurance		**326,905**	**90,767**	**174,526**
Investment income	5	2,179	16,030	21,993
Program earned fee income		6,526	3,728	8,147
Other income		2,833	4,412	6,780
		11,538	**24,170**	**36,920**
Total income	3	**338,443**	**114,937**	**211,446**
Gross claims paid		(92,850)	(88,207)	(183,438)
Reinsurers' share of gross claims paid		56,354	58,165	111,033
Claims paid, net of reinsurance		(36,496)	(30,042)	(72,405)
Movement in gross technical provisions		(299,781)	(80,568)	(125,978)
Movement in reinsurers' share of technical provisions		60,789	32,160	55,227
Net change in provision for claims		(238,992)	(48,408)	(70,751)
Net insurance claims incurred		**(275,488)**	**(78,450)**	**(143,156)**
Operating expenses		**(58,694)**	**(40,872)**	**(86,798)**
Result of operating activities before goodwill on bargain purchase and impairment of intangible assets	3	**4,261**	**(4,385)**	**(18,508)**
Goodwill on bargain purchase		4,307	42,858	69,307
Amortisation and impairment of intangible assets		(2,894)	(805)	(3,162)
Result of operating activities		**5,674**	**37,668**	**47,637**
Finance costs		(5,093)	(4,581)	(9,537)
Profit from operations before income taxes		**581**	**33,087**	**38,100**
Income tax charge	6	140	(487)	(1,280)
Profit for the period	3	**721**	**32,600**	**36,820**
Attributable to equity holders of the parent:-				
Attributable to ordinary shareholders		877	32,704	37,298
Non-controlling interests		(156)	(104)	(478)
		721	**32,600**	**36,820**
Earnings per ordinary share from operations: -				
Basic	8	0.4p	19.2p	20.3p
Diluted	8	0.4p	19.2p	20.3p

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

Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 June 2020

	Six months ended 30 June 2020 (unaudited) £000	Six months ended 30 June 2019 (unaudited) £000	Year ended 1 December 2019 (audited) £000 restated
Other comprehensive income: -			
Items that will not be reclassified to profit or loss:			
Pension scheme actuarial (losses)/gains	(886)	(1,131)	(1,698)
Deferred tax on pension scheme actuarial losses/(gains)	313	192	51
	(573)	(939)	(1,647)
Items that may be subsequently reclassified to profit or loss: -			
Exchange gains/(losses) on consolidation	16,932	1,997	(8,147)
Other comprehensive income	16,359	1,058	(9,794)
Profit for the period	721	32,600	36,820
Total comprehensive income for the period	**17,080**	**33,658**	**27,026**
Attributable to: -			
Equity holders of the parent	17,237	33,769	27,526
Non-controlling interests	(157)	(111)	(500)
Total comprehensive income for the period	**17,080**	**33,658**	**27,026**

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 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
Six months ended 30 June 2020									
At beginning of period (restated)	3,918	134,905	-	-	1,148	148,361	288,332	443	288,775
Profit for the period	-	-	-	-	-	877	877	(156)	721
Other comprehensive income									
Exchange gains/(losses) on consolidation	-	-	-	-	16,933	-	16,933	(1)	16,932
Pension scheme actuarial losses	-	-	-	-	-	(886)	(886)	-	(886)
Deferred tax on pension scheme actuarial losses	-	-	-	-	-	313	313	-	313
Total other comprehensive income for the period	**-**	**-**	**-**	**-**	**16,933**	**(573)**	**16,360**	**(1)**	**16,359**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**16,933**	**304**	**17,237**	**(157)**	**17,080**
Transactions with owners									
Share based payments	-	8,738	-	-	-	-	8,738	-	8,738
Issue of shares	342	15,830	-	-	-	-	16,172	-	16,172
Issue of convertible debt	-	-	64,417	-	-	-	64,417	-	64,417
Purchase of own shares	-	-	-	(150)	-	-	(150)	-	(150)
Non-controlling interest in subsidiary acquired	-	-	-	-	-	-	-	(743)	(743)
At end of period	**4,260**	**159,473**	**64,417**	**(150)**	**18,081**	**148,665**	**394,746**	**(457)**	**394,289**

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

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

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

Condensed Consolidated Statement of Changes in Equity for the year ended 31 December 2019 restated

	Share capital £000	Share premium £000	Foreign currency translation reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total £000
Year ended 31 December 2019 (restated)							
At beginning of year	2,520	51,135	9,273	112,710	175,638	349	175,987
Profit for the year	-	-	-	37,298	37,298	(478)	36,820
Other comprehensive income							
Exchange losses on consolidation	-	-	(8,125)	-	(8,125)	(22)	(8,147)
Pension scheme actuarial losses	-	-	-	(1,698)	(1,698)	-	(1,698)
Deferred tax on pension scheme actuarial gains	-	-	-	51	51	-	51
Total other comprehensive income for the year	**-**	**-**	**(8,125)**	**(1,647)**	**(9,772)**	**(22)**	**(9,794)**
Total comprehensive income for the year	**-**	**-**	**(8,125)**	**35,651**	**27,526**	**(500)**	**27,026**
Transactions with owners							
Share based payments	-	138	-	-	138	-	138
Issue of shares	1,398	102,047	-	-	103,445	-	103,445
Issue of AB & AC shares	18,415	(18,415)	-	-	-	-	-
Cancellation of AB & AC shares	(18,415)	-	-	-	(18,415)	-	(18,415)
Non-controlling interest in subsidiary acquired	-	-	-	-	-	594	594
At end of year	**3,918**	**134,905**	**1,148**	**148,361**	**288,332**	**443**	**288,775**

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

Condensed Consolidated Statement of Financial Position as at 30 June 2020

Company number 47341

	Note	30 June 2020 (unaudited) £000	30 June 2019 (unaudited) £000	31 December 2019 (audited) £000 restated
Assets				
Intangible assets		46,785	41,161	46,082
Property, plant and equipment		1,622	905	969
Right of use assets		4,830	2,690	3,191
Investment properties		1,480	1,520	1,480
Financial instruments		614,018	455,418	579,467
Reinsurers' share of insurance liabilities	7	592,950	409,859	471,412
Current tax assets		1,084	1,635	4,008
Deferred tax assets		4,200	5,351	1,988
Insurance and other receivables		646,620	370,222	419,535
Cash and cash equivalents		266,328	273,497	252,741
Total assets		**2,179,917**	**1,562,258**	**1,780,873**
Liabilities				
Insurance contract provisions	7	1,401,856	942,250	1,072,208
Financial liabilities		117,721	107,859	146,971
Deferred tax liabilities		9,216	7,645	9,465
Insurance and other payables	9	246,589	195,111	255,823
Current tax liabilities		2,347	452	294
Pension scheme obligations		7,899	6,684	7,337
Total liabilities		**1,785,628**	**1,260,001**	**1,492,098**
Equity				
Share capital	11	4,260	3,918	3,918
Share premium		159,473	142,349	134,905
Convertible debt	11	64,417	-	-
Treasury share reserve		(150)	-	-
Foreign currency translation reserve		18,081	11,277	1,148
Retained earnings		148,665	144,475	148,361
Attributable to equity holders of the parent		**394,746**	**302,019**	**288,332**
Non-controlling interests in subsidiary undertakings		(457)	238	443
Total equity		**394,289**	**302,257**	**288,775**
Total liabilities and equity		**2,179,917**	**1,562,258**	**1,780,873**

The Condensed Consolidated Financial Statements were approved by the Board of Directors on 13 October 2020 and were signed on its behalf by:

K E Randall A K Quilter

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

Condensed Consolidated Cash Flow Statement as at 30 June 2020

	Six months ended 30 June 2020 (unaudited) £000	Six months ended 30 June 2019 (unaudited) £000	Year ended 31 December 2019 (audited) £000 restated
Cash flows from operating activities			
Profit for the period	721	32,600	36,820
Tax included in consolidated income statement	(140)	487	1,280
Finance costs	5,093	4,581	9,537
Depreciation and impairments	928	1,026	2,242
Share based payments	8,738	138	138
Loss on divestment	-	-	-
Goodwill on bargain purchase	(4,307)	(42,858)	(71,332)
Amortisation and impairment of intangible assets	2,894	805	3,162
Fair value (gain)/loss on financial assets	6,739	(8,855)	(6,602)
Loss on revaluation of investment property	-	-	40
Loss on disposal of property, plant & equipment	-	130	89
Contributions to pension scheme	(397)	(1,400)	(1,400)
Loss/(profit) on net assets of pension schemes	73	87	173
Increase in receivables	(228,408)	(115,650)	(145,830)
(Increase)/decrease in deposits with ceding undertakings	(987)	765	1,294
(Decrease)/increase in payables	(9,224)	19,385	74,245
Increase/(decrease) in net insurance technical provisions	230,438	45,441	61,379
Income tax paid	-	(2,330)	(2,330)
Net cash from/(used in) operating activities	**12,161**	**(65,648)**	**(37,095)**
Cash flows to investing activities			
Purchase of property, plant and equipment	(826)	(613)	(958)
Proceeds from disposal of property, plant and equipment	-	-	-
Proceeds from disposal of investment property	-	361	361
Proceeds from disposal of intangible assets	-	1,936	1,952
Purchase of intangible assets	(10)	(102)	(143)
Sale of financial assets	86,967	139,515	68,997
Purchase of financial assets	(104,195)	(40,010)	(94,364)
Acquisition of subsidiary undertaking (offset by cash acquired)	6,273	(53,031)	(1,615)
Payments to acquire minority interest	-	-	(221)
Divestment (offset by cash disposed of)	(743)	-	-
Net cash from/(used in) investing activities	**(12,534)**	**48,056**	**(25,991)**
Net cash from financing activities			
Repayment of borrowings	(44,138)	(33,466)	(34,966)
New borrowing arrangements	7,000	-	41,751
Interest and other finance costs paid	(5,093)	(4,581)	(9,537)
Cancellation of shares	-	(10,971)	(18,415)
Receipts from issue of shares	16,172	103,445	103,445
Receipts from issue of convertible debt	32,208	-	-
Purchase of treasury shares	(150)	-	-
Net cash from financing activities	**5,999**	**54,427**	**82,278**
Net increase/(decrease) in cash and cash equivalents	5,626	**36,835**	19,192
Cash and cash equivalents at beginning of period	252,741	236,923	236,923
Foreign exchange movement on cash and cash equivalents	7,961	(261)	(3,374)
Cash and cash equivalents at end of period	**266,328**	**273,497**	**252,741**
Share of Syndicates' cash restricted funds	17,388	19,886	15,320
Other funds	248,940	253,611	237,421
Cash and cash equivalents at end of period	**266,328**	**273,497**	**252,741**

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

1. **Basis of preparation**

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

The Condensed Consolidated Financial Statements for the 2020 and 2019 half years are unaudited but have been subject to review by the Group's auditors.

These Condensed Consolidated Financial Statements have been restated for a prior year adjustment relating to the finalisation of the fair value review of the 2019 acquisition of Sandell Re, which was reported as provisional, and has been adjusted in accordance with IFRS 3.

The Condensed Consolidated Financial Statements have been prepared under the going concern basis of accounting. While there remain uncertainties as to its effect on the economy generally, in the last six months the impact of Covid-19 on the Group has clarified to a significant extent and the assumptions adopted at the time of the approval of the 2019 Annual Report have proved appropriate. The Group's financial position and forecasts for 2020 and 2021 demonstrate that it has adequate cash resources to meet its liabilities as they fall due.

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 2019. There have been no amendments to accounting policies or new International Financial Reporting Standards adopted by the Group.

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 – the Group delegates underwriting authority to MGAs to provide program capacity through its licensed platforms in the US and Europe
- Legacy – acquires legacy portfolios and insurance debt and provides capital support to the Group's managed Lloyd's Syndicates
- Other – primarily includes the holding company and other non- core subsidiaries which fall outside of the segments above

Segment result for the six months ended 30 June 2020 (unaudited)

	Program £000	Legacy £000	Other £000	Consolidation adjustments £000	Total £000
Earned premiums, net of reinsurance	5,338	321,567	-	-	326,905
Net investment income	595	4,822	1,961	(5,199)	2,179
Program earned fee income	6,526	-	-	-	6,526
External other income	4	(119)	2,948	-	2,833
Internal other income	-	1,070	13,049	(14,119)	-
Total income	**12,463**	**327,340**	**17,958**	**(19,318)**	**338,443**
Claims paid, net of reinsurance	(2,946)	(33,475)	(75)	-	(36,496)
Net change in provision for claims	(1,786)	(237,281)	75	-	(238,992)
Net insurance claims increased	(4,732)	(270,756)	-	-	(275,488)
Operating expenses	(9,181)	(36,009)	(27,623)	14,119	(58,694)
Result of operating activities before goodwill on bargain purchase	**(1,450)**	**20,575**	**(9,665)**	**(5,199)**	**4,261**
Goodwill on bargain purchase	-	4,307	-	-	4,307
Amortisation and impairment of intangible assets	-	(2,850)	(44)	-	(2,894)
Result of operating activities	**(1,450)**	**22,032**	**(9,709)**	**(5,199)**	**5,674**
Finance costs	(159)	(4,312)	(5,821)	5,199	(5,093)
Profit/(loss) on ordinary activities before income taxes	**(1,609)**	**17,720**	**(15,530)**	**-**	**581**
Income tax (charge)/credit	204	(257)	193	-	140
Profit/(loss) for the period	**(1,405)**	**17,463**	**(15,337)**	**-**	**721**
Non-controlling interests	-	150	6	-	156
Attributable to shareholders of parent	**(1,405)**	**17,613**	**(15,331)**	**-**	**877**
Segment assets	415,042	1,956,727	146,052	(337,904)	2,179,917
Segment liabilities	320,581	1,421,569	381,382	(337,904)	1,785,628

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

	Program £000	Legacy £000	Other £000	Consolidation adjustments £000	Total £000
Earned premiums, net of reinsurance	2,076	88,443	248	-	90,767
Net investment income	2,955	15,031	5,165	(7,121)	16,030
Program earned fee income	3,728	-	-	-	3,728
External other income	-	1,009	3,403	-	4,412
Internal other income	-	8,198	15,001	(23,199)	-
Total income	**8,759**	**112,681**	**23,817**	**(30,320)**	**114,937**
Claims paid, net of reinsurance	(873)	(29,100)	(69)	-	(30,042)
Net change in provision for claims	(1,724)	(44,811)	(1,873)	-	(48,408)
Net insurance claims increased	(2,597)	(73,911)	(1,942)	-	(78,450)
Operating expenses	(5,813)	(33,374)	(24,884)	23,199	(40,872)
Result of operating activities before goodwill on bargain purchase	**349**	**5,396**	**(3,009)**	**(7,121)**	**(4,385)**
Goodwill on bargain purchase	-	42,858	-	-	42,858
Amortisation and impairment of intangible assets	-	(752)	(53)	-	(805)
Result of operating activities	**349**	**47,502**	**(3,062)**	**(7,121)**	**37,668**
Finance costs	-	(4,555)	(7,147)	7,121	(4,581)
Profit/(loss) on ordinary activities before income taxes	**349**	**42,947**	**(10,209)**	**-**	**33,087**
Income tax (charge)/credit	(590)	(2,389)	2,492	-	(487)
Profit/(loss) for the period	**(241)**	**40,558**	**(7,717)**	**-**	**32,600**
Non-controlling interests	92	397	(385)	-	104
Attributable to shareholders of parent	**(149)**	**40,955**	**(8,102)**	**-**	**32,704**
Segment assets	358,682	1,400,663	152,368	(349,455)	1,562,258
Segment liabilities	281,866	918,313	409,277	(349,455)	1,260,001

Segment result for the year ended 31 December 2019 (unaudited) restated

	Program £000	Legacy £000	Other £000	Consolidation adjustments £000	Total £000
Earned premiums, net of reinsurance	6,099	168,427	-	-	174,526
Gross investment income	4,603	22,699	7,918	(13,227)	21,993
Program earned fee income	8,147	-	-	-	8,147
External other income	1	58	6,721	-	6,780
Internal other income	-	-	27,046	(27,046)	-
Total income	**18,850**	**191,184**	**41,685**	**(40,273)**	**211,446**
Claims paid, net of reinsurance	(2,831)	(69,390)	(184)	-	(72,405)
Net change in provision for claims	(3,444)	(65,533)	(1,774)	-	(70,751)
Net insurance claims released/(increased)	(6,275)	(134,923)	(1,958)	-	(143,156)
Operating expenses	(14,472)	(58,548)	(40,824)	27,046	(86,798)
Result of operating activities before goodwill on bargain purchase	**(1,897)**	**(2,287)**	**(1,097)**	**(13,227)**	**(18,508)**
Goodwill on bargain purchase	-	69,307	-	-	69,307
Amortisation and impairment of intangible assets	-	(2,579)	(583)	-	(3,162)
Result of operating activities	**(1,897)**	**64,441**	**(1,680)**	**(13,227)**	**47,637**
Finance costs	(309)	(8,906)	(13,549)	13,227	(9,537)
Profit/(loss) on ordinary activities before income taxes	**(2,206)**	**55,535**	**(15,229)**	**-**	**38,100**
Income tax (charge)/credit	(353)	(10,734)	9,807	-	(1,280)
Profit/(loss) for the period	**(2,559)**	**44,801**	**(5,422)**	**-**	**36,820**
Non-controlling interests	-	515	(37)	-	478
Attributable to shareholders of parent	**(2,559)**	**45,316**	**(5,459)**	**-**	**37,298**
Segment assets	412,130	1,586,860	93,420	(311,537)	1,780,873
Segment liabilities	318,011	1,094,584	391,040	(311,537)	1,492,098

Geographical analysis

As at 30 June 2020

	UK £000	North America £000	Europe £000	Total £000
Gross assets	511,207	1,433,300	573,314	2,517,821
Intercompany eliminations	(142,195)	(146,204)	(49,505)	(337,904)
Segment assets	369,012	1,287,096	523,809	2,179,917
Gross liabilities	342,214	1,277,027	504,291	2,123,532
Intercompany eliminations	(84,890)	(247,898)	(5,116)	(337,904)
Segment liabilities	257,324	1,029,129	499,175	1,785,628
Revenue from external customers	94,061	207,833	30,024	331,918

As at 30 June 2019

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

As at 31 December 2019

	UK £000	North America £000	Europe £000	Total £000
Gross assets	460,617	1,153,071	478,722	2,092,410
Intercompany eliminations	(128,640)	(132,124)	(50,773)	(311,537)
Segment assets	331,977	1,020,947	427,949	1,780,873
Gross liabilities	293,176	1,099,281	411,178	1,803,635
Intercompany eliminations	(55,826)	(250,150)	(5,561)	(311,537)
Segment liabilities	237,350	849,131	405,617	1,492,098
Revenue from external customers	84,860	101,989	16,450	203,299

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.

June 2020	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Government and government agencies	159,020	624	-	159,644
Corporate bonds	287,117	87,356	-	374,473
Equities	5,752	-	-	5,752
Investment funds	-	53,658	-	53,658
Purchased reinsurance receivables	-	-	5,076	5,076
Total financial assets measured at fair value	**451,889**	**141,638**	**5,076**	**598,603**

June 2019	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Government and government agencies	-	80,705	-	80,705
Corporate bonds	-	243,799	-	243,799
Equities	15,760	-	-	15,760
Investment funds	108,722	-	-	108,722
Purchased reinsurance receivables	-	-	8,003	8,003
Total financial assets measured at fair value	**124,482**	**324,504**	**8,003**	**456,989**

December 2019	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Government and government agencies	180,970	7,060	-	188,030
Corporate bonds	342,538	2,758	-	345,296
Equities	10,991	-	-	10,991
Investment funds	-	15,646	-	15,646
Purchased reinsurance receivables	-	-	5,969	5,969
Total financial assets measured at fair value	**534,499**	**25,464**	**5,969**	**565,932**

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

	June 2020 £000	**June 2019 £000**	**December 2019 £000**
Opening balance	5,969	3,393	3,393
Total net gains recognised in the Consolidated Income Statement	351	1,178	(93)
Acquisitions	-	3,374	3,528
Disposals	(1,537)	-	(692)
Exchange adjustments	293	58	(167)
Closing balance	**5,076**	**8,003**	**5,969**

Level 3 investments (purchased reinsurance receivables) have been valued using detailed models outlining the anticipated timing and amounts of future receipts. During 2019 the Group purchased an outstanding interest in similar reinsurance receivables of £3,374k. Short term delays in the anticipated receipt of these investments are not likely to have a material impact on their valuation.

5. Investment income

	Six months ended 30 June 2020 £000	Six months ended 30 June 2019 £000	Year ended 31 December 2019 £000
Interest income	9,218	7,175	15,391
Realised gains/(losses) on investments	(576)	2,514	4,581
Unrealised gains/(losses) on investments	(6,463)	6,341	2,021
	2,179	16,030	21,993

6. Income tax

	Six months ended 30 June 2020 £000	Six months ended 30 June 2019 £000	Year ended 31 December 2019 £000
Tax credit/(charge)	140	(487)	(1,280)

The tax 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 2020 £000	Six months ended 30 June 2019 £000	Year ended 31 December 2019 £000
Insurance contract provisions at 1 January	1,072,208	699,078	699,078
Claims paid	(92,850)	(88,207)	(183,438)
Increase/(decrease) in provisions arising from acquisition and disposal of subsidiary undertakings and syndicate participations	(35,578)	106,649	174,551
Increase in provisions arising from acquisition of reinsurance portfolios	260,767	71,519	132,234
Increase in claims provisions	131,864	97,256	177,182
Increase in unearned premium reserve	39,065	55,755	94,315
Net exchange differences	26,380	200	(21,714)
As at period end	1,401,856	942,250	1,072,208

Reinsurance	Six months ended 30 June 2020 £000	Six months ended 30 June 2019 £000	Year ended 31 December 2019 £000
Reinsurers' share of insurance contract provisions at 1 January	471,412	300,357	300,357
Proceeds from commutations and reinsurers' share of gross claims paid	(56,354)	(58,165)	(111,033)
Increase/(decrease) in provisions arising from acquisition and disposal of subsidiary undertakings and syndicate participations	(1,404)	18,644	18,644

Increase in provisions arising from acquisition of reinsurance portfolios	-	-	-
Increase in claims provisions	117,143	90,325	166,260
Increase in unearned premium reserve	47,619	58,722	103,687
Net exchange differences	14,534	(24)	(6,503)
As at period end	592,950	409,859	471,412

Net	**Six months ended 30 June 2020 £000**	**Six months ended 30 June 2019 £000**	**Year ended 31 December 2019 £000**
Net claims outstanding at 1 January	600,796	398,721	398,721
Net claims paid and proceeds from commutations	(36,496)	(30,042)	(72,405)
Increase/(decrease) in provisions arising from acquisition of subsidiary undertakings and syndicate participations	(34,174)	88,005	155,907
Increase/(decrease) in provisions arising from acquisition of reinsurance portfolios	260,767	71,519	132,234
Increase in claims provisions	14,722	6,931	10,922
Decrease in unearned premium reserve	(8,554)	(2,967)	(9,372)
Net exchange differences	11,845	224	(15,211)
As at period end	808,906	532,391	600,796

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

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

Significant uncertainty exists as to the likely outcome of any 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 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 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 2020	Six months ended 30 June 2019	Year ended 31 December 2019
	No. 000's	No. 000's	No. 000's
Weighted average number of Ordinary shares	200,354	170,266	183,453
Effect of dilutive share options	4,473	-	-
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	204,827	170,266	183,453

	£000	£000	£000
Earnings per share for profit from operations			
Profit for the period attributable to Ordinary shareholders	877	32,704	37,298
Basic earnings per share	0.4p	19.2p	20.3p
Diluted earnings per share	0.4p	19.2p	20.3p

9. Insurance and other payables

	Six months ended 30 June 2020 £000	Six months ended 30 June 2019 £000	Year ended 31 December 2019 £000
Structured liabilities	427,861	406,830	400,910
Structured settlements	(427,861)	(406,830)	(400,910)
	-	-	-
Other creditors	246,589	195,111	255,823
	246,589	195,111	255,823

Structured Settlements

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. Before their acquisition by the Group, two Group subsidiaries paid for annuities from third party life insurance companies for the benefit of certain claimants. 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 subsidiaries' potential 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. Depending on the original terms of settlement in each case, the relevant subsidiary may carry a degree of 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 become unable to meet their obligations to those annuitants in part or in full, and if no other arrangements are established, any remaining liability may fall upon the respective 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 subsidiaries, the possibility of a material liability arising in this way is very unlikely.

10. Borrowings

The total amounts owed to credit institutions at 30 June 2020 was £111,668k (31 December 2019: £142,693k).

The Group has issued the following debt:

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

11. Issued share capital

Issued share capital as at 30 June 2020 amounted to £4,260k (31 December 2019: £3,918k).

During the period, the Group issued 11,902,318 ordinary shares at £1.35 per share.

During the period, a Group subsidiary issued 47,609,270 $0.01 convertible preference shares for cash consideration of $80,000k. These preference shares are convertible into ordinary share capital of the Company upon certain regulatory conditions being met. The convertible preference share are entirely accounted for within equity in accordance with IAS 32 as the conversion to ordinary share capital is at a fixed amount.

In the period, the Group commenced a share repurchase programme and purchased 111,525 of its ordinary shares for total consideration of £150k. These ordinary shares are held in treasury.

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

The Group made four business combinations during the first six months of 2020, all of which involved legacy transactions and have been accounted for using the acquisition method of accounting.

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

	Intangible assets	**Other receivables**	**Cash & Investments**	**Other payables**	**Technical provisions**	**Tax & deferred tax**	**Net assets acquired**	**Consideration**	**Gross Deal Contribution**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Vigneron	103	-	1,479	-	(1,041)	-	**541**	-	**541**
Anglo French	1,304	-	5,670	-	(5,670)	-	**1,304**	-	**1,304**
ICIICL	103	-	9,705	-	(2,342)	-	**7,466**	5,213	**2,253**
Citadel	4	3	1,042	(64)	(33)	(2)	**950**	741	**209**
	1,514	**3**	**17,896**	**(64)**	**(9,086)**	**(2)**	**10,261**	**5,954**	**4,307**

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

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

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

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

The Group completed the following business combination during 2020:

Vigneron
On 22 January 2020, the Group completed the acquisition of the entire issued ordinary shares of Vigneron Insurance Company Inc ("Vigneron"), a Montana, USA domiciled captive insurance company. Vigneron provided workers' compensation, auto and general liability coverage to affiliates from 2004 to 2018.

Anglo French
Effective 5 March 2020, the Group completed the Part VII transfer of policies underwritten by Anglo French Insurance Company Limited on or prior to 31 December 1969 to R&Q Gamma Company Limited.

ICIICL
On 9 April 2020, the Group completed the acquisition of the entire issued share capital of ICI Insurance Company Limited ("ICIICL"), a Cayman domiciled captive insurance company. ICIICL's remaining liabilities relate to general liability and workers' compensation claims arising from policies written from 1974 to 2009.

Citadel
On 16th June 2020, the Group completed the acquisition of the entire issued ordinary shares of Citadel Assurance Company ("Citadel"), a Vermont, USA domiciled captive insurance company. Citadel provided workers' compensation, auto and general liability coverage from 2002 to 2015.

15. Related party transactions

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

	Six months ended 30 June 2020 £000	Six months ended 30 June 2019 £000	Year ended 31 December 2019 £000
K E Randall and family	-	728	1,222
A K Quilter and family	-	204	328
W Spiegel	-	-	-

16. Foreign exchange rates

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

	Six months ended 30 June 2020 £000	Six months ended 30 June 2019 £000	Year ended 31 December 2019 £000
Average			
US dollar	1.26	1.29	1.28
Euro	1.14	1.14	1.14
Spot			
US dollar	1.24	1.27	1.31
Euro	1.11	1.12	1.17

17. Events after the reporting date

On 15 July 2020, the Group announced the admission of 9,676,495 new ordinary shares to trading on AIM. This was in accordance with a Bonus Share Issue approved at the Company's Annual General Meeting held on 9th July 2020.

On 10 September 2020, the Group announced the completion of the combination of its wholly owned subsidiary, Sandell Re Ltd, with Tradesman Program Managers, LLC, in return for a 35% interest in the combined entity.