Registered number: 11099339

SPECIALIST RISK INVESTMENTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 16 MONTHS ENDED 31 DECEMBER 2019

SPECIALIST RISK INVESTMENTS LIMITED

COMPANY INFORMATION

Directors

I M C Gascoigne
P B Chainey (resigned 28 February 2019)
J W Scott
P M Byrne
S J Lee (appointed 19 November 2018)
C Love (appointed 19 November 2018)
I Robertson (appointed 19 November2018)
A M Butler (appointed 1 February 2019)
S P O'Connor (appointed 1 February 2019)
W Downey (appointed 27 August 2019)
L Anderson (appointed 9 September 2019)

Registered number 11099339

Registered office

1 America Square
17 Crosswall
London
England
EC3N 2LB

Independent auditor

Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
30 Finsbury Square
London
EC2A 1AG

CONTENTS

CHAIRMAN'S STATEMENT
FOR THE 16 MONTHS ENDED 31 DECEMBER 2019

The chairman presents his statement for the period.

In the 16-month period to December 2019, Specialist Risk Investments Limited ("SRIL", "the Group"), which trades under the Specialist Risk Group ("SRG") brand, achieved a period of transformational change and growth. SRG is a specialist insurance broking and MGA platform which specialises in creating solutions to challenging risk transfer questions, with an approach centred around careful segment analysis, product innovation and market making. We create value for our clients every time we develop, launch and execute this strategy. We are gathering people and businesses who share this common pursuit with us.

To further our specialist strategy, SRG acquired The Underwriting Exchange ("TUE") and London Ireland Market Exchange ("LIME") in February 2019, Square Mile Broking ("SMB") in November 2019 and David Codling & Associates ("DCA") in December 2019.

These acquisitions are highly complementary to our existing propositions and provide further expertise in placing difficult risks with the Lloyd's and London Market, alongside expanding our service and product offerings to our retail clients. We continue to develop our extensive professional advisory services and expertise for our SME and corporate client base, to build on the deep relationships we already enjoy with our insurance broking clients.

The Group's vision is to be the leading[1] specialist insurance broking and MGA platform for complex and hard to place risks in the UK and Europe. We will achieve this by better serving the needs of clients and their brokers working in industries, geographies and areas that are challenging from a risk transfer perspective. Valuing the specialist nature of our capabilities, and creating a high performance, inspiring, hard-working, innovative, and rewarding environment to encourage and nurture our existing and acquired businesses, allowing SRG to continue to be a differentiator in our class.

The Board was delighted to appoint Warren Downey as Group CEO and Lee Anderson as Group COO in 2019. We now have strong leadership in place and the group is aligned behind its strategy to continue to deliver great outcomes for all our stakeholders.

The Group continues to invest in the upgrade of its technological capability and operational processes, with a focus on becoming a highly efficient and easy to deal with insurance distribution platform for broker partners and clients alike. In March 2020, SRG announced a strategic partnership with Novidea, a leading InsurTech firm, to lead the digital transformation of our specialist wholesale business in support of our continued rapid business growth.

Key achievements

KPIs £'000	**16 months to 31 Dec 2019**	12 months to 31 Aug 2018
Turnover	**43,076**	13,024
Operating profit (before Exceptional admin expenses)[2]	**1,643**	371

Although the two periods are not comparable, due to the longer period and acquisitions during the period, the turnover in the period has increased significantly by 231% to £43.1m (2018: £13.0m), and Group operating profit before exceptional administrative costs has increased by 400% to £1.6m (2018: £0.4m). Operating Margin (after adjusting for exceptional items) increased by 23% to 3.5% (2018: 2.7%).

Continued underlying organic growth, combined with the acquisitions of TUE, LIME, SMB and DCA, as well as an extended period of reporting in 2019, resulted in an increase in Group turnover. SRG continues its programme of enhancing the operating margins of our underlying businesses, through embedding best practice operating processes and standards, underpinned by centralised support, oversight and governance.

Our ambition for SRG is to continue to grow the Group both organically and inorganically, by adding specialist knowledge and capabilities to our existing resources and enabling us to better service our client's needs. We will do this through M&A, recruitment and training, allowing us to maintain and grow our status as a market leading independent insurance broker for specialist SME and corporate risks in the UK and Ireland.

1 – Leading by GWP written.
2 – Operating profit (before Exceptional admin expenses) used to remove the one-off nature of expenses experiences during the period.

CHAIRMAN'S STATEMENT (CONTINUED)
FOR THE 16 MONTHS ENDED 31 DECEMBER 2019

The COVID 19 outbreak and subsequent measures taken by various governments to contain the virus may impact the Company's ability to operate in some areas, with potential limited impacts on company profitability and cash flow, countered by extensive growth opportunities. Whilst the scale and duration of this pandemic remain uncertain the board of directors remain confident around the growth potential and future profitability of the Group.

The Group has been able to prosper by focusing on sectors of the market where it has real specialism, supported by innovative product development and industry leading standards of broker and client service including claims support, and our aim is for this to continue.

The Group faces the future with great optimism, accepting the current challenges we are confident that our mantra "Difficult. Done Well.", our strategy and resources mean we are well positioned to meet these challenges head on and prosper.

Leith Robertson

I Robertson
Chairman

9th December 2020

GROUP STRATEGIC REPORT
FOR THE 16 MONTHS ENDED 31 DECEMBER 2019

Business review

The Group carries on business as an insurance intermediary providing insurance solutions to Direct UK Clients, broker to broker solutions to UK brokers, and broker to broker solutions to overseas brokers through its principal operating subsidiaries. These solutions are sourced in Lloyd's of London, the wider London Market and composite insurers generally.

The board of directors is responsible for the overall stewardship of the company.

The financial results for the period are set out in the profit and loss account on page 11. The directors consider the achievement of turnover of £43.1m and an operating profit of £1.6m (after adjusting for exceptional items), for the sixteen months reported to be pleasing in view of the challenging UK insurance market, resultant low margins and investments made for future growth. Further information is contained within the Chairman's statement on page 1.

The result has been driven by our three main trading subsidiaries, Miles Smith Limited providing UK broker to broker solutions, The Underwriting Exchange Limited providing Irish broker to broker solutions and Miles Smith Insurance Solutions Ltd providing UK broker solutions to retail customers.

The results of each can be summarised as follows:

£	Miles Smith Limited[1] 2019	The Underwriting Exchange Limited[2] 2019	Miles Smith Insurance Solutions Limited[1] 2019
Turnover	**21.3m**	**10.4m**	**8.4m**
Profit/(loss) before tax	**2.8m**	**1.6m**	**(1.0)m**

1 – Miles Smith Limited and Miles Smith Insurance Solutions Limited contributed for a 16 month period.
2 – The Underwriting Exchange contributed for a 12 months period (note that this entity was not owned for the full period).

Principal risks and uncertainties

The principal risks and uncertainties faced by the group are common to other businesses in our industry and are described below:

Market – the Group's performance is affected by both the general economic climate and stability in our market place, principally the UK corporate market; and the insurance rating environment which has cyclical trends and affects our earnings based on premium spend.

Regulatory – as a business regulated by the Financial Conduct Authority in the UK a breach of regulatory rules may lead to sanctions by the authorities. We are subject to new regulations which the regulator may introduce from time to time and which may impact on our infrastructure.

Competition – the London insurance market remains a highly competitive one with various competitors in each of our specialist fields.

Interest rates – Our profitability is impacted by the interest rates as our funds available to put on deposit are significantly greater than our borrowings. Our net interest return is reduced in times of low interest rates, such as the unprecedented rates currently extant.

Operational – failure of its operational systems or those of a third party, business interruption due to an external event, or loss of key staff may disrupt the group's ability to service its client's needs appropriately, or may lead to information security issues.

Financial – the group's principal financial risks are credit risk arising from trade debtors, and liquidity risk. The financial exposure continues to be spread over a large number of customers, and the Group utilises a third party to provide premium finance to its clients in order to minimise the credit risk. Group monies, including client monies are held in accounts at well-established UK clearing banks which have high credit ratings assigned by international credit rating agencies.

Covid-19 - The COVID 19 outbreak and subsequent measures taken by various governments to contain the virus may impact the Company's ability to operate in some areas, with potential limited impacts on company profitability and cash flow, countered by extensive growth opportunities. Whilst the scale and duration of this pandemic remain uncertain the board of directors remain confident around the growth potential and future profitability of the Group.

Brexit - The UK decided to leave the EU on 31 January 2020, following clearance for the withdrawal deal from the House of Lords and formal ratification by both the UK and European Parliament. We are now in a planned 11-month transition period, during which the UK has ceased to be an EU member but will continue to follow its rules, including the continuation of how insurance laws and regulations are handled.

Our aim has been to put an adaptable solution in place which allows us to continue to offer our clients the same market-leading offering and high standard of service that they expect from us.

The directors seek to mitigate and manage each of these risks through continual review and policy setting and the employment of robust procedures.

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE 16 MONTHS ENDED 31 DECEMBER 2019

Key performance indicators

The company uses a number of performance measures to assess its success in meeting its objectives that include:

- Client performance - the group's success depends on its ability to satisfy its clients. The Group believes that provision of innovative risk solutions with a high level of service are key to sustaining and growing the business. The measures used include:

  • business retention rates
  • new business development
  • complaints monitoring; and
  • customer satisfaction surveys
  • Profitability – the current period's results are reported in the Directors' Report on page 6.

This report was approved by the board on and signed on its behalf by:

C Love
Director

9th December 2020

DIRECTORS' REPORT
FOR THE 16 MONTHS ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the period ended 31 December 2019.

Results and dividends

The loss for the period, after taxation, amounted to £6.8m (2018: loss £0.5m)

No dividends were paid during the period (2018: £Nil). The directors do not recommend a final dividend for the year.

Directors

The directors who served during the period were:

I M C Gascoigne
P M Jellicoe (resigned 9 January 2019)
P B Chainey (resigned 28 February 2019)
J W Scott
P M Byrne
S J Lee (appointed 19 November 2018)
C Love (appointed 19 November 2018)
I Robertson (appointed 19 November 2018)
A M Butler (appointed 1 February 2019)
S P O'Connor (appointed 1 February 2019)
W Downey (appointed 27 August 2019)
L Anderson (appointed 9 September 2019)

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' REPORT (CONTINUED)
FOR THE 16 MONTHS ENDED 31 DECEMBER 2019

Post balance sheet events

On the 1 July 2020, the Group announced the purchase of AUA Insolvency Risk Services Limited by Miles Smith Insurance Solutions Limited subject to Financial Conduct Authority approval. The purchase completed on 1 October 2020.

There have been no other significant events affecting the Group *since the year end, other than those mentioned* in the Chairman's Statement.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on and signed on its behalf by:

C Love
Director

9th December 2020

Opinion

We have audited the financial statements of Specialist Risk Investments Limited (the 'parent company') and its subsidiaries (the 'group') for the period from 1 September 2018 to 31 December 2019, which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Company Statements of Financial Position, Consolidated and Company Statements of Changes in Equity, Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a group or company associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the group's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the group's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group will continue in operation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

William Pointon
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

9th December 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 16 MONTHS ENDED 31 DECEMBER 2019

	Note	16 months to 31st December 2019	12 months to 31st August 2018
		£	£
Turnover	4	**43,076,087**	13,024,440
Administrative expenses		**(41,612,715)**	(12,756,159)
Exceptional administrative expenses	13	**(6,866,240)**	(299,215)
Other operating income		**180,098**	102,984
Operating (loss)/profit		**(5,222,770)**	72,050
Interest receivable and similar income	10	**71,346**	12,685
Interest payable and expenses	11	**(889,544)**	(18,343)
(Loss)/profit before taxation		**(6,040,968)**	66,392
Tax on profit	12	**(733,275)**	(591,780)
Loss for the financial period		**(6,774,243)**	(525,388)
Loss for the period attributable to:			
Owners of the parent Company		**(6,774,243)**	(525,388)
		(6,774,243)	(525,388)
Total comprehensive income for the period attributable to:			
Owners of the parent Company		**(6,774,243)**	(525,388)
		(6,774,243)	(525,388)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note		31 December 2019 £		31 August 2018 £
Fixed assets					
Intangible assets	14		**68,632,736**		24,359,736
Tangible assets	15		**1,444,799**		796,122
Investments	16		**50,567**		50,566
			70,128,102		25,206,424,
Current assets					
Debtors: amounts falling due within one year	17	**68,261,498**		51,431,803	
Cash at bank and in hand	18	**46,474,730**		24,560,429	
		114,736,228		75,992,232	
Creditors: amounts falling due within one year	19	**(107,966,552)**		(70,531,334)	
Net current assets			**6,769,676**		5,460,898
Total assets less current liabilities			**76,897,778**		30,667,322
Creditors: amounts falling due after more than one year	20		**(29,720,452)**		(362,296)
Provisions for liabilities					
Other provisions	23	**(340,040)**		(292,000)	
Net assets			**46,837,286**		30,013,026
Capital and reserves					
Called up share capital	24		**6,684**		5,013
Share premium account	25		**22,573,756**		22,573,756
Other reserves	25		**31,556,477**		7,959,645
Profit and loss account	25		**(7,299,631)**		(525,388)
Equity attributable to owners of the parent Company			**46,837,286**		30,013,026

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 8th December 2020.

C Love
Director

The notes on pages 17-46 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note		31 December 2019 £		31 August 2018 £
Fixed assets					
Investments	16		**44,669,172**		31,118,639
			44,669,172		31,118,639
Current assets					
Debtors: amounts falling due within one year	17	**40,465,751**		73,841	
Cash at bank and in hand		**1,215,900**		-	
		41,681,651		73,841	
Creditors: amounts falling due within one year	19	**(32,651,192)**		(657,057)	
Net current assets/(liabilities)			**9,030,459**		(583,216)
Total assets less current liabilities			**53,699,631**		30,535,423
Net assets			**53,699,631**		30,535,423
Capital and reserves					
Called up share capital	24		**6,684**		5,013
Share premium account	25		**22,573,756**		22,573,756
Other reserves	25		**31,582,479**		7,956,654
Profit and loss account			**(463,288)**		-
			53,699,631		30,535,423

Under section 408 of the companies Act 2006, the company statement of comprehensive income has not been included in their financial statements. The company's loss and comprehensive expense for the period was £463,288 (2018: £nil).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 9th December 2020.

C Love
Director

The notes on pages 17-46 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2019

	Notes	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
		£	£	£	£	£
Loss for the year		-	-	-	(525,388)	(525,388)
Shares issued during the year	24	5,013	22,573,756	-	-	22,578,769
Movement in the year		-	-	7,959,645	-	7,959,645
At 31 August 2018		**5,013**	**22,573,756**	**7,959,645**	**(525,388)**	**30,013,026**
Loss for the period		-	-	-	(6,774,243)	(6,774,243)
Shares issued	24, 25	1,671	-	-	-	1,671
Movement in the period	25	-	-	23,596,832	-	23,596,832
At 31 December 2019		**6,684**	**22,573,756**	**31,556,477**	**(7,299,631)**	**46,837,286**

The notes on pages 17-46 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2019

	Notes	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
		£	£	£	£	£
Shares issued during the year	24	5,013	22,573,756	-	-	22,578,769
Movement in the year		-	-	7,956,654	-	7,956,654
At 31 August 2018		5,013	22,573,756	7,956,654	-	30,535,423
Loss during the period		-	-	-	(463,288)	(463,288)
Shares issued	24,25	1,671	-	-	-	1,671
Movement in the period	25	-	-	23,625,825	-	23,625,825
At 31 December 2019		6,684	22,573,756	31,582,479	(463,288)	53,699,631

The notes on pages 17-46 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 16 MONTHS ENDED 31 DECEMBER 2019

	2019	2018
	£	£
Cash flows from operating activities		
Profit for the financial period	(6,774,243)	(532,711)
Adjustments for:		
Amortisation of intangible assets	7,562,010	1,444,062
Depreciation of tangible assets	453,216	126,622
Interest paid	889,544	18,343
Interest received	(71,346)	(12,685)
Taxation charge	733,275	591,780
(Increase)/decrease in debtors	6,513,345	(21,894,062)
Increase in creditors	1,799,896	28,518,331
Increase/(decrease) in provisions	48,040	-
Corporation tax paid	(1,005,797)	(143,476)
Decrease in creditors more than one year	-	(109,001)
Net cash generated from operating activities	**10,147,940**	8,007,203
Cash flows from investing activities		
Purchase of intangible fixed assets	(896,030)	-
Purchase of tangible fixed assets	(954,591)	(218,088)
Interest received	71,346	12,685
Bank balance acquired on acquisition	23,539,401	-
Acquisitions, net of cash	(35,992,745)	(5,615,529)
Net cash from investing activities	**(14,232,589)**	(5,820,932)
Cash flows from financing activities		
Proceeds from issue of shares	1,671	22,573,758
Loans received	28,117,595	-
Repayment of other loans	(827,607)	(249,179)
Interest paid	(889,544)	(18,343)
Decrease in reserves	(403,165)	67,922
Net cash used in financing activities	**25,998,950**	22,374,158
Net increase in cash and cash equivalents	**21,914,301**	24,560,429
Cash and cash equivalents at the beginning of period	**24,560,429**	-
Cash and cash equivalents at the end of period	**46,474,730**	24,560,429
Cash and cash equivalents at the end of period comprise:		
Cash at bank and in hand	**46,474,730**	24,560,429
	46,474,730	24,560,429

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 16 MONTHS ENDED 31 DECEMBER 2019**

1. General information

Specialist Risk Investments Limited is a private company limited by shares and incorporated in the United Kingdom. Its registered office is 6th floor One America Square, 17 Crosswall, London, EC3N 2LB.

The principal activity of the group is Insurance Broking.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

The financial statements have been prepared on a going concern basis. The Group's current financial position, and its forecasts and projections, taking into account reasonable assumptions regarding performance, demonstrate the Group's ongoing ability to operate.

Given recent developments with Covid-19 the Group have considered the going concern status of the Group and have considered the impact of various scenarios on the Group's ability to continue to generate revenue. We are pleased that our business has seen minimal impact due to Covid-19 due to the specialist nature of our business. Additionally, the Group has access to a facility which would provide us with the necessary working capital should we require, thus reaffirming our going concern status,

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within 'other operating income'.

2.5 Turnover

Turnover represents brokerage, profit commission and fees net of any commission payable to third parties. It arises on the placement of insurance contracts by the Group.

Brokerage is recognised when the Group's contractual right to such income is established and to the extent that the Group's relevant obligations under the contracts concerned have been performed. For most of the Group's broking activities, this means that brokerage is recognised at the inception of the underlying contract of insurance concerned, subject to a deferral of brokerage in respect of post-placement services that constitutes obligations of the Group under those contracts.

Where the amount of brokerage is dependent on the achievement of contractual targets, the minimum amounts under the contract are recognised on inception, and the incremental amounts arising are recognised when their targets concerned are achieved.

Where the amount of brokerage is dependent on the results of the business placed, the minimum amounts under the contract are recognised at inception, and any incremental amounts are recognised only to the extent that a reliable estimate of the amounts concerned can be made. Such estimates are made on a prudent basis that reflects the level of uncertainty involved.

Profit commission arising from the placement of insurance contracts or the exercise of an underwriting agency by the Group is recognised when the right to such profit commission is established through a contract, but only to the extent that a reliable estimate of the amount due can be made. Such estimates are made on a prudent basis that reflects the level of uncertainty involved.

Revenue that has been credited in the Group's books, but not yet recognised as income in accordance with the policies described above, is credited to the deferred income account within accruals and deferred income in the Group's balance sheet.

2. Accounting policies (continued)

2.6 Turnover (continued)

Revenue that is recognised in accordance with this policy before it has been credited in the Company's books is included in insurance debtors in the Company's balance sheet.

2.7 Insurance broking assets and liabilities

Insurance brokers act as agents in placing the insurance risk of their clients with insurers and are not liable as principles for amounts arising from such transactions. Notwithstanding these legal relationships, debtors, creditors and cash balances arising from insurance broking transactions are shown as assets and liabilities within these accounts. This recognises that the insurance broker is entitled to retain the investment income arising from the cash flows attributable to these transactions. Money received in respect of these transactions is held in non-statutory trust bank accounts or insurer trust bank accounts in accordance with the requirements of the Financial Conduct Authority.

2.8 Other operating income

Other operating income is recognised at the time of the provision of the service.

2.9 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

2.10 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.11 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

2. Accounting policies (continued)

2.12 Share-based payments

Certain group employees are allowed to acquire shares of the company under share option schemes, the fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value of the options granted is measured at grant date and spread over the period the option is deemed to vest. The fair value of the options granted is measured using a Black Scholes model, taking account of the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest where forfeiture is due to performance criteria not being met during the life of the option.

2.13 Employee benefit trust

A group company operates an Employee Benefit Trust (EBT) for the benefit of its employees. Ordinary B shares are granted to employees at the discretion of this company which is deemed to be the sponsoring entity.

The assets and liabilities of the EBT have been included in the group accounts in the accordance with FRS 102 Sections 9.34-9.37: 'Accounting for intermediate parent arrangements' on the basis that the EBT is under the de facto control of a group company. Any assets held by the EBT cease to be recognised on the group balance sheets when the assets vest unconditionally in identified beneficiaries.

In the consolidated accounts, costs incurred by the EBT purchasing shares are shown as a deduction against shareholders' funds. The proceeds to the EBT from the sale of shares increase shareholders' funds. Neither the purchase nor sale of shares leads to a gain or loss recognised in the Consolidated Statement of Comprehensive Income.

2. Accounting policies (continued)

2.14 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.15 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

2.16 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

2. Accounting policies (continued)

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Goodwill	- 5 - 10 years
Intangibles	- 5 - 10 years

Research & Development

The Company has a policy to capitalise internally generated intangible assets. Research costs are expensed as incurred, and development expenditure are capitalised provided they meet the strict criteria of development per FRS 102.

These assets are considered to have a finite useful life. Once the asset is deemed to have completed, the estimated useful life with range from 3-5 years.

2.17 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	- period of lease
Fixtures and fittings	- 3-5 years
Office equipment	- 3-5 years
Computer equipment	- 3-5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2. Accounting policies (continued)

2.18 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Group shares, whose market value can be reliably determined, are stated at historic cost less any provision for impairment.

Investments held as fixed assets, are measured at cost less any provision for impairment.

2.19 Debtors

Short term debtors which are receivable within one year are initially measured at the transaction price expected to be received and are assessed for indicators of impairment at the end of each reporting year.

2.20 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.21 Creditors

Short term creditors which are payable within one year are initially measured at the transaction price expected to be paid and are assessed for indicators of impairment at the end of each reporting year. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method.

2.22 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.23 Financial instruments

The company holds basic financial instruments, which comprise bank balances, trade and other debtors and creditors, loans from banks, loans to related parties and investments in non-puttable ordinary shares. The company has applied the measurement and recognition provisions of Section 11 Basic Financial Instruments of FRS 102.

2.24 Forward contracts

The company has forward contracts in relation to its Euro income in order to mitigate exchange rate risk. These contracts are measured at fair value through the profit and loss account which is determined using the average exchange rate of the forward contracts vs. the closing rate for the Balance Sheet.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 16 MONTHS ENDED 31 DECEMBER 2019

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the Directors are required to make judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis and revisions to estimates are recognised prospectively.

Significant estimates and judgements have been used in the measurement of deferred income (see note 18) and in respect of any claims against the group, and in particular the assessment of the merits of any claim, the likelihood of any claim succeeding, and its potential quantum. Where the outcome of any claim is potentially material, judgements are made after taking appropriate legal advice.

Judgements have been made around R&D capitalisation where assets have been judged to have met recognition criteria for development assets based on our assessment of FRS 102 and IFRS guidance.

Judgements have been made on assessment of shares issued in acquisition of The Underwriting Exchange Limited, and Square Mile Broking Limited as remuneration or consideration. Upon assessment we have concluded that the shares issued were deemed as part of the consideration of acquired entities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 16 MONTHS ENDED 31 DECEMBER 2019

4. Turnover

Analysis of turnover by country of destination:

	16 months to 31 December 2019	12 months to 31 August 2018
	£	£
United Kingdom	**32,287,849**	11,675,414
Rest of Europe	**9,009,671**	433,518
Rest of the world	**1,778,567**	915,508
	43,076,087	13,024,440

5. Other operation income and expenses

	16 months to 31 December 2019	12 months to 31 August 2018
	£	£
Other operating income	**180,098**	102,984

6. Operating profit

The operating profit is stated after charging:

	16 months to 31 December 2019	12 months to 31 August 2018
	£	£
Depreciation of tangible fixed assets	**453,216**	126,622
Amortisation of intangible assets, including goodwill	**7,562,010**	1,433,019
Exchange differences	**57,020**	11,898

7. Auditor's remuneration

	16 months to 31 December 2019	12 months to 31 August 2018
	£	£
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	**29,000**	23,000
Fees payable to the Group's auditor for the audit of subsidiary companies	**85,000**	-
Fees payable to the Group's auditor and its associates in respect of:		
Audit-related assurance services	**42,500**	-
Taxation compliance services	**22,000**	96,500
Transaction related services	**417,000**	-
	595,500	119,500

8. Employees

Staff costs, including directors' remuneration, were as follows:

	Group	Group
	16 months to 31 December 2019	12 months to 31 August 2018
	£	£
Wages and salaries	**19,153,289**	6,563,592
Social security costs	**2,045,775**	760,695
Cost of defined contribution scheme	**1,547,934**	505,250
	23,106,998	7,829,537

The average monthly number of employees, including the directors, during the year was as follows:

	16 months to 31 December 2019	12 months to 31 August 2018
	No.	No.
Sales, management and administration	**297**	225

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 16 MONTHS ENDED 31 DECEMBER 2019

9. Directors' remuneration

	16 months to 31 December 2019 £	12 months to 31 August 2018 £
Directors emoluments	**1,825,667**	440,027
Company contributions to defined contribution pension schemes	**111,991**	20,600
	1,937,658	460,627

During the year retirement benefits were accruing to 8 directors in respect of defined contribution pension schemes (2018: 2).

The highest paid director received remuneration of £690,977 (2018: £175,048).

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £38,664 (2018: £Nil).

10. Interest receivable

	16 months to 31 December 2019 £	12 months to 31 August 2018 £
Interest receivable	**71,346**	12,685

11. Interest payable and similar expenses

	16 months to 31 December 2019 £	12 months to 31 August 2018 £
Loan interest payable	**881,714**	15,006
Bank interest payable	**7,830**	3,337
	889,544	18,343

12. Taxation

	16 months to 31 December 2019 £	12 months to 31 August 2018 £
Corporation tax		
Current tax on profits for the period	606,389	606,646
Adjustments in respect of previous periods	30,238	(11,439)
Total current tax	636,627	595,207
Total current tax	636,627	595,207
Deferred tax		
Origination and reversal of timing differences	101,093	17,258
Prior period adjustment	(4,445)	(20,685)
Total deferred tax	96,648	(3,427)
Taxation on profit on ordinary activities	733,275	591,780

12. Taxation (continued)

Factors affecting tax charge for the period

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 19%. The differences are explained below:

	16 months to 31 December 2019 £	12 months to 31 August 2018 £
Profit on ordinary activities before tax	(6,040,968)	66,392
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	(1,147,784)	12,614
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1,837,713	610,778
Capital allowances for period in excess of depreciation	-	(96)
Effect of changes in tax rate	3,055	608
Adjustments to tax charge in respect of prior periods	25,793	(32,124)
Movements in unrecognised deferred tax	8,811	-
Differences in tax rates	5,687	-
Total tax charge for the period	733,275	591,780

13. Exceptional items

	16 months to 31 December 2019 £	12 months to 31 August 2018 £
Exceptional items	**6,866,240**	229,215

Exceptional items are those that the Board consider to be which fall outside the ordinary activities and which are not expected to recur. An ongoing priority of the Group is continue its M&A, and through integration of these businesses, the Group is subjected to one-off, non-recurring expenses which have been deemed exceptional and reported separately.

14. Intangible assets

Group	Intangibles	Goodwill	Internally generated computer software	Internally generated software under construction	Total
	£	£	£	£	£
Cost					
At 1 September 2018	**356,276**	**25,440,199**	**-**	**-**	**25,796,475**
Acquisition of subsidiaries	-	3,999,996	-	-	3,999,996
Additions	-	49,592,130	453,170	442,860	**50,488,160**
At 31 December 2019	**356,276**	**79,032,325**	**453,170**	**442,860**	**80,284,631**
Amortisation					
At 1 September 2018	**62,872**	**1,373,867**	**-**	**-**	**1,436,739**
Accumulated amortisation acquired	-	2,653,146	-	-	2,653,146
Charge for the period	67,079	7,449,614	45,317	-	7,562,010
At 31 December 2019	**129,951**	**11,476,627**	**45,317**	**-**	**11,651,895**
Net book value					
At 31 December 2019	**226,325**	**67,555,698**	**407,853**	**442,860**	**68,632,736**
At 1 September 2018	**293,404**	**24,066,332**	**-**	**-**	**24,359,736**

15. Tangible assets

	Leasehold improvements	Office and Computer Equipment	Total
	£	£	£
Cost or valuation			
At 1 September 2018	**421,701**	**501,044**	**922,745**
Additions	54,801	899,690	954,491
Acquisition of subsidiaries	-	340,157	340,157
At 31 December 2019	**476,502**	**1,740,891**	**2,213,393**
Depreciation			
At 1 September 2018	**52,427**	**74,196**	**126,623**
Accumulated depreciation acquired	24,430	168,325	192,755
Charge for the period	147,625	305,591	453,216
	224,482	**548,112**	**772,594**
Net book value			
At 31 December 2019	**252,020**	**1,192,779**	**1,444,799**
At 31 August 2018	**369,274**	**426,848**	**796,122**

16. Fixed asset Investments

Group

	Total
Cost or valuation	
At 1 September 2018	**50,567**
Additions	-
At 31 December 2019	**50,567**

Investments in subsidiary companies

Cost or valuation	
At 1 September 2018	**31,118,639**
Additions	**13,550,533**
At 31 December 2019	**44,669,172**
Net book value	
At 31 December 2019	**44,669,172**

16. Fixed asset Investments(continued)

Investments in subsidiary companies (continued)

Specialist Risk Midco Limited and Specialist Risk Group Limited were inserted into the Group Structure on 3rd July 2019. As a result the additions does not tie to Note 29, as these were not acquired.

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Holding
Specialist Risk Investments (Midco) Limited	Holding company	Ordinary	100%
Specialist Risk Group Limited*	Holding company	Ordinary	100%
Miles Smith Holdings Limited*	Holding company	Ordinary	100%
Miles Smith Limited*	Lloyd's Insurance broker	Ordinary	100%
Miles Smith Insurance Solutions Limited*	Insurance broker	Ordinary	100%
Miles Smith Broking Limited*	Lloyd's Insurance broker	Ordinary	100%
Miles Smith PPP Limited*	Premium finance	Ordinary	100%
Core Underwriting Limited*	Underwriting agent	Ordinary	100%
Miles Smith International Limited*	Insurance broker	Ordinary	100%
Phillip Adams Limited*	Insurance broker	Ordinary	100%
First4 Insurance Services Limited*	Dormant	Ordinary	100%
Miles Smith Investments Limited*	Dormant	Ordinary	100%
Pedal Safe Limited*	Insurance broker	Ordinary	51%
The Underwriting Exchange Limited*	Insurance broker	Ordinary	100%
London Ireland Market Exchange Limited*	Insurance broker	Ordinary	100%
The Underwriting Exchange (Ireland) Limited*	Insurance broker	Ordinary	100%
London Ireland Market Exchange Limited (Ireland)*	Dormant	Ordinary	100%
Square Mile Boking Limited*	Insurance broker	Ordinary	100%
David Codling & Associates Limited*	Insurance broker	Ordinary	100%
Freeworth Limited*	Trustee of Employee Share Trust	Ordinary	100%

All of the above subsidiaries are included in the consolidation.

*Investments are held indirectly.

16. Fixed asset investments (continued)

Subsidiary undertakings (continued)

The aggregate of the share capital and reserves as at 31 December 2019 and the profit or loss for the period ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(Loss) £
Specialist Risk Investments (Midco) Limited	44,669,171	-
Specialist Risk Group Limited	44,234,323	(434,848)
Miles Smith Holdings Limited	71,822	(4,116)
Miles Smith Limited	8,011,488	2,371,781
Miles Smith Insurance Solutions Limited	186,878	(755,542)
Miles Smith Broking Limited	708,005	64,947
Miles Smith PPP Limited	109,790	82,366
Core Underwriting Limited	(347,452)	(116,946)
Miles Smith International Limited	(493,990)	(1,084,665)
Phillip Adams Limited	48,580	967
First4 Insurance Services Limited	(399,290)	-
Miles Smith Investments Limited	49	-
Pedal Safe Limited	200	-
Freeworth Limited	1	-
The Underwriting Exchange Limited	12,875,656	3,279,618
London Ireland Market Exchange Limited	627,145	103,190
The Underwriting Exchange (Ireland) Limited	22,618	-
London Ireland Market Exchange Limited (Ireland)	2	-
Square Mile Broking Limited	3,096,160	1,128,451
David Codling & Associates Limited	456,195	161,071

17. Debtors

Group	31 December 2019	31 August 2018
	£	£
Insurance debtors	**65,974,303**	50,478,144
Other debtors	**1,434,760**	308,761
Prepayments and accrued income	**622,674**	428,518
Tax recoverable	**229,761**	185,963
Deferred taxation (note 22)	**-**	30,417
	68,261,498	51,431,803

Company	31 December 2019	31 August 2018
	£	£
Other debtors	**84,387**	73,841
Amounts owed by group undertakings	**40,381,364**	-
	40,465,751	73,841

18. Cash and cash equivalents

Group	31 December 2019	31 August 2018
Cash at bank and in hand	**46,474,730**	24,560,429

Included in cash at bank and in hand for the Group is £41,452,946 (2018 £20,755,856) which is held in non-statutory trust accounts or insurer trust accounts, which operate in accordance with the requirements of the Financial Conduct Authority.

19. Creditors: Amounts falling due within one year

	31 December 2019	31 August 2018
Group	**£**	**£**
Other loans	-	463,640
Insurer creditors	**100,292,204**	66,939,565
Other taxation and social security	**616,097**	578,739
Other creditors	**2,204,959**	934,968
Deferred consideration	**1,800,000**	-
Accruals and deferred income	**3,053,292**	1,614,422
	107,966,552	70,531,334

Company	31 December 2019	31 August 2018
	£	**£**
Corporation tax	-	-
Amounts owed to group undertakings	**31,542,600**	258,968
Other creditors	**1,108,592**	398,089
	32,651,192	657,057

20. Creditors: Amounts falling due after more than one year

Group

	2019 £	2018 £
Other creditors	**1,500,000**	-
Deferred taxation (note 22)	**102,858**	-
Other loans	**28,117,594**	362,296
	29,720,452	362,296

Included within the above are amounts falling due as follows:

Group	2019 £	2018 £
Amounts falling due within one year		
Other loans	-	463,640
Amounts falling due 2-5 years		
Other loans	**28,117,594**	362,296
	28,117,594	825,936

On 15 January 2015 the group refinanced by drawing down a new secured loan of £1,860,000 which repaid the other loans included in Creditors: Amounts falling due within one year and Amounts falling due after more than one year as at 31 August 2014. The loan incurs interest at 3% over LIBOR and is repayable by installments over a 5 year period. This loan was fully repaid in August 2019. £Nil was outstanding at the yearend (2018: £825,936).

On 22 August 2019 the group refinanced by drawing down a new secured loan of £25,000,000 (excl. fees) which repaid the other loans included in Creditors. The loan incurs interest at 3% over LIBOR and is repayable by 21 August 2024. £25,000,000 was outstanding at the year end.

The Group borrowed £4,500,000 (excl. fees) on 25 November 2019 to finance the purchase of Square Mile Broking Limited, an insurance broker. £4,500,000 was outstanding at the year end.

Included within the balance in loans are the upfront fees which are being amortised monthly over the duration of the loan.

The company has granted charges over its assets to secure its loans of £29,500,000. Certain subsidiaries of the group, being Miles Smith Holdings Limited, Miles Smith Limited, Miles Smith Broking Limited, Miles Smith Insurance Solutions Limited, Miles Smith International Limited, The Underwriting Exchange Limited and Square Mile Broking Limited have entered into guarantees to secure the loans and granted charges over their assets.

21. Financial instruments

	Group 2019	2018
	£	£
Financial Assets		
Financial assets measured at fair value through profit or loss	**47,034,808**	24,560,429
Financial assets that are debt instruments measured at amortised cost	**68,253,119**	50,786,905
	115,287,921	75,347,334
Financial liabilities		
Financial liabilities measured at amortised cost	**(109,056,442)**	(70,314,892)

	Company 2019	2018
	£	£
Financial Assets		
Financial assets measured at fair value through profit or loss	**40,465,751**	73,831
Financial assets that are debt instruments measured at amortised cost	**1,215,901**	-
	41,681,651	73,831
Financial liabilities		
Financial liabilities measured at amortised cost	**(32,651,192)**	(657,057)

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

Financial assets measured at amortised cost comprise; trade debtors amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed by group undertakings, other loans, and other creditors.

Derivative financial instruments – Forward contracts

The Group entered into forward foreign currency contracts to mitigate exchange rate risk. At 31st December 2019, the outstanding contracts mature throughout 2020. The company is committed to sell €5,600,000 for affixed amount of £4,805,721. There were no forward contracts at 31st December 2018.

Forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key input used in valuing the derivative is the forward exchange rate for GBP: EURO.

21. Derivative financial instruments – Forward contracts (continued)

	2019	2018
	£	£
Fair value of forward contracts at the beginning of the year	**-**	-
Movements in the period	**57,946**	-
Fair value of forward contracts at the end of the period	**57,946**	-

Analysis of net debt

	Cash and cash equivalents	Senior loan	Other Loan	Total
	£	£	£	£
As at 1 September 2018	24,560,429	-	(825,936)	23,734,493
Acquisitions	23,539,401	-	-	23,539,401
Cash flows	(1,625,100)	(28,117,594)	825,936	(28,916,758)
As at 31 December 2019	**46,474,730**	**(28,117,594)**	**-**	**18,357,136**

22. Deferred taxation

Group

	2019	2018
	£	£
At beginning of year	**(30,417)**	-
Acquired during period	**36,626**	-
Adjustment in respect of prior year	**(4,444)**	-
Charged to profit or loss	**101,093**	(30,417)
At end of year	**102,858**	(30,417)

	Group	Group
	2019	2019
	£	£
Fixed asset timing differences	**188,693**	61,222
Other timing differences	**(85,835)**	(91,639)
	102,858	30,417

In addition, to the deferred tax liability set about above, there are unrecognised deferred tax assets in subsidiary undertakings, of £566,344 (2018 £67,846) arising from trading losses carried forward.

23. Provisions

Group

Dilapidation provision

	£	£
	2019	2018
At 1 September 2018	**292,000**	-
Charged to profit and loss account	**48,040**	292,000
	340,040	292,000

24. Share capital

	2019	2018
	£	£
Allotted, called up and fully paid		
66,670 Ordinary A shares of £0.1 each	**6,667**	5,000
153,865 Ordinary B shares of £0.0001 each	**15**	11
17,832 Ordinary C shares of £0.0001 each	**2**	1
33,810 Ordinary D shares of £0.0001 each	**3**	1
11,453 Ordinary E shares of £0.0001 each	**1**	-
	6,684	5,013

The A and B shares in issue shall rank pari passu in all respects save the A shares shall not confer on the holder of them any right to at any time receive a dividend and dividends may only be declared and paid on the B shares, and the B shares shall not confer on the holders of them any right to receive notices of meetings of the shareholders, any right to attend at any such meetings, or any right to vote.

The C,D and E shares operate as growth shares, their entitlement to a share of the company is dependent on Specialist Risk Investments Limited exceeding hurdles in terms of its valuation. The C, D and E shares do not confer on the holder of them any right to at any time receive dividends, any right to receive notices of meetings of shareholders, any right to attend any such meetings, or any right to vote. Entitlement to equity is only granted if the company's valuation exceeds the relevant hurdle.

25. Reserves

Share premium account

Includes any premiums received on issue of share capital. Any transaction costs associated with issuing of shares is deducted from share premium.

Profit and loss account

Includes all current and prior period retained profits and losses.

Other reserves (see note 26)

Other reserves consist of the following.

Share option reserve

Includes the fair value of the share options granted to employees.

Share based payment reserve

Includes the fair value of shares awarded to employees.

Aggregation reserve

Includes the reserves of the Employee Benefit Trust.

Treasury Reserve

The treasury reserve consists of shares repurchased by the Group's Employee Benefit Trust.

Merger Relief Reserve

Includes the difference between the consideration and nominal value of shares issued during a merger and the fair value of the assets transferred.

26. Other reserves

	Treasury Reserve	Share option reserve	Share based payment reserve	Aggregation reserve	Merger relief reserve	Total other reserves
	£	£	£	£	£	£
As at August 2018	(146,439)	67,922	-	220,832	7,817,330	**7,959,645**
Share options granted	-	26,929	-	-	-	**26,929**
Own shares (acquired) / sold by EBT	86,625	-	-	-	-	**86,625**
Movement in the EBT	-	-	-	(137,474)	-	**(137,474)**
Other movement during the 16 months	-	-	(5,073)	-	23,625,823	**23,620,750**
As at December 2019	**(59,814)**	**94,851**	**(5,073)**	**83,358**	**31,443,153**	**31,556,477**

Included within other movements in the merger relief reserve is £23,999,999 which relates to the acquisition of The Underwriting Exchange Limited and Square Mile Broking Limited (see note 29).

27. Share based payments

Equity settled share based payments

The group has a share option scheme for all employees (including directors), with the options issued on B shares. Options are exercisable at a price determined at issue based on the share price calculated in accordance with the group's profitability. The vesting period has been assessed as 5 years. There are no specific performance criteria attached to the exercise of options other than continued employment. The options are settled in equity once exercised.

The options have no expiry date. Options are forfeited if the employee leaves the company subject to leaving as a good, bad or intermediate leaver.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

	Weighted average exercise price (pence) 2019 £	**Number 2019**	Weighted average exercise price (pence) 2018 £	Number 2018
Outstanding at beginning of the period	**102**	**3,359**	-	-
Granted during the period	**104**	**28**	102	3,359
Forfeited during the period	**130**	**(112)**	-	-
Exercised during the period	**102**	**(1,987)**	-	-
Outstanding at the end of the period	**100**	**1,288**	102	3,359

The share options outstanding at the end of the year have unlimited remaining contractual life, as long as certain performance criteria are met and have the following exercise prices:

	Number
28 February 2018	**943**
28 February 2018	**1,212**
28 February 2018	**1,204**

1,987 (2018: 6,321) options were exercised during the period ending December 2019. The weighted average share price based on the asset value at the date of exercise of the options in December 2019 was £102.

The fair values were calculated using the Black Scholes Pricing Model. The inputs into the model were as follows:

- current share price based on price achieved in third party transaction dated 28 February 2018.
- effective interest rate of 0.75%,
- volatility estimated at 11.62%,
- expected rolling maturity of 5 years.

28. Capital commitments

There were no capital commitments as at 31 December 2019.

29. Business combinations

On 31 January 2019 Specialist Risk Investments Limited acquired control of The Underwriting Exchange Limited, London Ireland Market Exchange Limited (UK), London Ireland Market Exchange Limited (Ireland), hereafter referred to collectively as the TUE Group, through the purchase of 100% of the share capital of those entities for total consideration of £48,939,972.

On 3 August 2019, Specialist Risk Midco Limited, and Specialist Risk Group Limited were created and inserted as holding entities as part of a restructure of the group. The investments in TUE Group and The Miles Smith Group transferred from SRIL to Specialist Risk Group Limited.

On 31 November 2019 Miles Smith Insurance Solutions Limited acquired control of Square Mile Broking Limited (SMB), through the purchase of 100% of the share capital for total consideration of £15,309,687.

On 31 December 2019 Miles Smith Insurance Solutions Limited acquired control of David Codling and Associates Limited (DCA), through the purchase of 100% of the share capital for total consideration of £2,152,392.

Management have estimated the useful life of the goodwill of the TUE Group to be 10 years, Square Mile Broking Limited to be 10 years, and David Codling and Associates to be 10 years. The acquired businesses are well established in the London insurance market and have long track records of stable revenue.

The following table summarises the consideration paid by the Group, and the book value of assets acquired and liabilities assumed at the acquisition dates.

29. Business combinations (continued)

Recognised amounts of identifiable assets acquired and liabilities assumed

	TUE Group Book / Fair value	SMB Book / Fair value	DCA Book / Fair value	Total Book / Fair value
	£	£	£	£
Property, plant and equipment	181,146	4,077	7,393	192,616
Intangible assets	1,346,850	-	-	1,346,850
	1,528,096	4,077	7,393	1,539,566
Debtors	19,520,291	3,370,678	477,544	23,368,513
Cash at bank and in hand	20,373,357	2,076,210	1,089,834	23,539,401
Total assets	41,421,644	5,450,965	1,574,771	48,447,380
Creditors	(30,589,709)	(2,218,625)	(1,118,576)	(33,926,910)
Provisions	(36,626)	-	-	(36,626)
Total identifiable net assets	10,795,309	3,232,340	456,195	14,483,844
Goodwill	35,734,449	12,077,347	1,696,197	49,507,993
Total purchase consideration	**46,529,758**	**15,309,687**	**2,152,392**	**63,991,837**

Consideration

	£	£	£	£
Cash	25,377,713	8,335,587	1,043,959	34,757,259
Equity instruments	19,999,999	4,000,000	-	23,999,999
Deferred consideration	-	2,500,000	800,000	3,300,000
Directly attributable costs	1,152,046	74,220	9,220	1,235,486
Deferred attributable costs	-	399,880	299,213	699,093
Total purchase consideration	**46,529,758**	**15,309,687**	**2,152,392**	**63,991,837**

Cash outflow on acquisition

	£	£	£	£
Purchase consideration settled in cash, as above	25,377,713	8,335,587	1,043,959	34,757,259
Directly attributable costs	1,152,046	74,220	9,220	1,235,486
	26,529,759	8,409,807	1,053,179	35,992,745
Less: Cash and cash equivalents acquired	(20,373,357)	(2,076,210)	(1,089,834)	(23,539,401)
Net cash outflow on acquisition	**6,156,402**	**6,333,597**	**(36,655)**	**12,453,344**

30. Pension commitments

The group operates a defined contribution scheme for the benefit of the employees and directors. Contributions are paid into a group personal pension plan which is administered by trustees in funds independent from those of the group.

31. Commitments under operating leases

At 31 December 2019 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019 £	Group 2018 £
Land and buildings		
Within 1 year	669,737	468,912
Between 2 and 5 years	1,800,436	1,843,646
After more than 5 years	-	12,766
Other		
Within 1 year	92,927	179,246
Between 2 and 5 years	506	150,080
After more than 5 years	-	-

32. Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard 102 "Related Party Disclosures" and has not disclosed transactions with wholly owned group undertakings.

At the year end, £4,076 was owed by Barclay Willis Limited, a related party by virtue of common control. During the year £Nil was repaid by Barclay Willis Limited.

At 31.12.2019 the following amounts were owed by directors to group companies

S O'Connor	£23,606
A Butler	£480

Onyx Insurance Brokers Ltd, a company in which A Butler and S.P. O'Connor were directors and shareholders at 31st December 2019 owed the following amounts to a group company in respect of liabilities met on their behalf;

	2019 £	2018 £
Amount due from related party at the balance sheet date	344,900	217,077

24. Key management remuneration

The only key management are considered to be directors, disclosed in Note 9.

33. Post balance sheet events

There have been no significant events affecting the Group since the year end, other than those mentioned in the Chairman's Statement.

Covid-19 is considered to be a non-adjusting post balance sheet event for the Group.

34. Controlling party

The ultimate controllers of this company at the Statement of financial position date were PSC III, L.P. a fund which is managed by Pollen Street Capital Limited, a company incorporated in England and Wales., The address of Pollen Street Capital Limited is 11-12 Hanover Square, London, England, W1S 1JJ.

35. Subsidiary guarantee

As a parent company, established under the law of the UK (an EEA state) for the financial year ended 31 March 2019, the Group took advantage of the exemption from audit under section 479A of the Companies Act 2006 for the following subsidiary undertakings:

Name	Company registration number
Specialist Risk Investments (Midco) Limited	12082621
Specialist Risk Group Limited*	12083334
Miles Smith Holdings Limited*	07533292
Miles Smith Insurance Solutions Limited*	07146895
Miles Smith PPP Limited*	02987030
Core Underwriting Limited*	07578945
Miles Smith International Limited*	08179377
Phillip Adams Limited*	08163996
First4 Insurance Services Limited*	06447123
Miles Smith Investments Limited*	07146827
Pedal Safe Limited*	07896593
Freeworth Limited*	04142175
London Ireland Market Exchange Limited*(UK)	08621272
The Underwriting Exchange (Ireland) Limited*	07126381
London Ireland Market Exchange Limited (Ireland)*	Ireland: 435897
David Codling & Associates Limited*	08076350