

Company Registration No. 11099339

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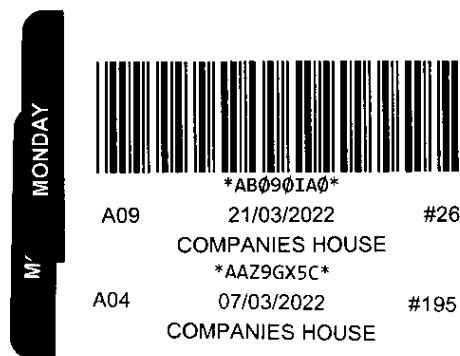
**SPECIALIST RISK INVESTMENTS LIMITED**

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**ANNUAL REPORT AND FINANCIAL**

**STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**



## **SPECIALIST RISK INVESTMENTS LIMITED**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS 2020**

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## SPECIALIST RISK INVESTMENTS LIMITED

### CEO STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The CEO presents his statement for the period.

In the 12-month period to December 2020, Specialist Risk Investments Limited ("SRIL", "the Group"), which trades under the Specialist Risk Group ("SRG") brand, achieved a continued period of both revenue and profit 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.

#### The Group

To further our specialist strategy, SRG acquired AUA Insolvency Risk Solutions in October 2020, a specialist retail broker based in Nottingham and in December 2020 the Company entered into an agreement to acquire 100% of the share capital of KBIS Limited, a specialist equine retail broker based in Newbury. 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<sup>1</sup> 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 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	12 months to 31 Dec 2020	16 months to 31 Dec 2019
Turnover	41,001	43,076
Operating loss	(1,677)	(5,223)
Administrative exceptional items	5,072	6,866
Operating profit before Exceptional expenses <sup>2</sup>	3,395	1,643

Although the two periods are not comparable, due to the longer period and acquisitions during the period in 2019, the turnover in the period has increased significantly (2019: £43.1m), and Group operating profit before exceptional administrative costs has increased to £3.4m (2019: £1.6m). Operating Margin (after adjusting for exceptional items) increased by 4.5% to 8.3% (2019 3.8%).

Continued underlying organic growth, combined with the acquisitions of IRS and KBIS, 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.

<sup>1</sup> Leading by GWP written.

<sup>2</sup> Operating profit before Exceptional expenses used to remove the one-off nature of expenses experienced during the period (see note 6 for further information).

## **SPECIALIST RISK INVESTMENTS LIMITED**

### **CEO STATEMENT**

#### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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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.

#### **Acquisition by HGGC**

In February 2021, SRG was acquired by HGGC, based in Palo Alto, California. We are delighted to partner with HGGC, a firm that is completely aligned with our values as a culture and people-driven company. We share a common ethos and expansive ambition, and I am tremendously excited for the next chapter of the SRG story. I would like to thank the team at Pollen Street for their support of the business through this foundational stage of SRG's history.

HGGC brings substantial industry knowledge, deep M&A capabilities and strong operational and financial resources to support SRG's ambitions.

#### **Covid-19**

The directors have considered the impact of the Covid-19 UK lockdown which commenced in March 2020, before the balance sheet date. The Company being an insurance intermediary with a well-diversified client mix has been well placed to prosper with limited exposure to Covid-19, the directors concluded based on a forecast of probable cashflows, a review of potential asset impairments and an assessment of economic risk arising from the pandemic, that the going concern basis was appropriate.

The Group continues 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.



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**Warren Downey**

CEO

Date: 03 March 2022

## SPECIALIST RISK INVESTMENTS LIMITED

### STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2020

#### Business review

The Group carries on business as an insurance intermediary providing insurance solutions directly to UK and International Clients, broker to broker solutions to 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 Group.

The financial results for the period are set out in the statement of comprehensive income on page 17. The directors consider the achievement of turnover of £41.0m and an operating loss of £1.7m (before adjusting for exceptional items), for the year to be acceptable in view of the challenging UK insurance market, resultant low margins and investments made for future growth. Further information is contained within the CEO's statement on pages 3 - 4.

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 Specialist Risk Insurance Solutions Ltd providing UK broker solutions to retail customers.

The results of each can be summarised as follows:

£000's	Miles Smith Limited	The Underwriting Exchange Limited	Specialist Risk Insurance Solutions Limited
Turnover	19,626	10,144	9,574
Operating (loss)/profit	(637)	1,310	2,000
Administrative exceptional items	4,328	544	27
Operating profit before exceptional items	3,691	1,854	2,027

#### Research and development

The Group capitalised £19,783 in the year (2019: £896,070).

## SPECIALIST RISK INVESTMENTS LIMITED

### STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 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.

**Foreign exchange risk** - the Group has tried to minimise the effect of foreign currency exposure of its European business (EUR) by using forward contracts over the course of two years. The Group regularly assesses foreign currency exposure. Additionally, the company monitors price credit liquidity and subsequent cash flow risk to ensure that the effects of these are minimised.

**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 Group's ability to operate in some areas, with potential limited impacts on Group's 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. During the planned 11-month transition period, the UK ceased to be an EU member but 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.

## **SPECIALIST RISK INVESTMENTS LIMITED**

### **STRATEGIC REPORT**

#### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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##### **Key performance indicators**

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

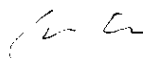
- Client performance - the group's success depends on its ability to satisfy its clients. The Group believes that provision of innovative risk solutions with a high level of service are key to sustaining and growing the business. The measures used include:
  - turnover;
  - complaints monitoring;
  - customer satisfaction surveys; and
  - Profitability – the current period's results are reported in the Directors' Report on page 8 - 9.

##### **Section 172**

We specialise in creating solutions to challenging risk transfer questions and we have been doing this for many years. Our approach is careful segment analysis, product innovation and market making. We create value for our clients every time we develop, launch, and execute this strategy. The board therefore, makes careful considerations to the long-term consequences of its decisions and these are guided by the Group strategy which seeks to ensure this is executed with additional regard to our stakeholders and maintaining high standards of conduct. The strength of the Board and governance structure is enhanced by the presence of independent non-executive directors and shareholders.

The Group considers key stakeholders to include our employees, customers, insurers, lenders and regulators who we engage with regularly. The Board also consider the impact of the decisions it makes on the wider community and the environment, we do KYC checks on all our suppliers to ensure that the Group's standards are upheld.

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



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**Charles Love**

CFO

Date: 03 March 2022

## **SPECIALIST RISK INVESTMENTS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

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The directors present their report and the financial statements for the period ended 31 December 2020.

#### **Review of the business, future developments, events after the balance sheet date and principal risks and uncertainties**

The Group has chosen in accordance with Companies Act 2006, s.414C(11) to set out in the Group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch.7 to be contained in the directors' report. It has done so in respect of business activities, risks and future developments.

#### **Results and dividends**

The loss for the period, after taxation, amounted to £4.6m (2019: loss £6.8m)

No dividends were paid during the period (2019: £Nil). The directors do not recommend a final dividend for the year.

#### **Directors**

The directors who served during the period were:

Warren Downey  
Lee Anderson  
Jonathan Bines (appointed 27 May 2021)  
Charles Love  
Vicky Wai-Choo Kubitscheck (appointed 3 May 2021)  
Clare Lebecq (appointed 27 May 2021)  
Joanne Wright (appointed 27 May 2021)  
Adrian Butler (resigned 11 May 2021)  
Patrick Byrne (resigned 11 May 2021)  
Paul Chainey (resigned 28 February 2020)  
Ian Gascoigne (resigned 26 February 2021)  
Steve Lee (resigned 11 May 2021)  
Stephen O'Connor (resigned 11 May 2021)  
Iain Robertson (resigned 11 May 2021)  
James Scott (resigned 26 February 2021)  
Joseph Hanly (appointed 2 February 2022)  
William Nabarro (appointed 7 December 2021)

#### **Post balance sheet events**

The Group purchased 100% of the share capital of:

- GB Underwriting Limited by Specialist Risk Group Limited in January 2021;
- The Channel Partnership Limited by Miles Smith Insurance Solutions in January 2021;
- Emrose Insurance Brokers Limited by Miles Smith Insurance Solution in April 2021;
- Blackrock Insurance Limited by The Underwriting Exchange (Ireland) in April 2021; and
- CLS Risk Solutions Limited and CLS RS (Malta) by Specialist Risk Group Limited in November 2021.
- Hamilton Leigh Insurance Brokers by Specialist Risk Group Limited in March 2022.

The Group's subsidiary, Miles Smith Broking Limited, created a new subsidiary undertaking in February 2021 called Specialist Risk International Limited, and subsequently purchased a book of business from AFL Insurance brokers Limited (now renamed as Ambon Brokers Limited).

The Group underwent a change in controller and was acquired by HGGC IV, L.P. a fund which is managed by HGGC, a company incorporated in United States of America.

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



## **SPECIALIST RISK INVESTMENTS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **Directors' indemnities**

The Group and Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report. Additional cover for the directors against personal financial exposure has been made under a directors' and officers' liability insurance policy.

#### **Research and development**

The Group capitalised £19,783 in the year (2019: £896,070).

#### **Political Contributions**

The Company made no political contributions during the year (2019: £nil).

#### **Employees**

##### **Discrimination**

Employees must not unlawfully discriminate against or harass other people including current and former employees, job applicants, clients, customers, suppliers and visitors. This applies in the workplace, outside the workplace (when dealing with customers, suppliers or other work-related contacts), and on work-related trips or events including social events.

The following forms of discrimination are prohibited under this policy and are unlawful:

- Direct discrimination: treating someone less favourably because of a Protected Characteristic. For example, rejecting a job applicant because of their religious views or because they might be gay.
- Indirect discrimination: a provision, criterion or practice that applies to everyone but adversely affects people with a particular Protected Characteristic more than others, and is not justified. For example, requiring a job to be done full-time rather than part-time would adversely affect women because they generally have greater childcare commitments than men. Such a requirement would be discriminatory unless it can be justified.
- Harassment: this includes sexual harassment and other unwanted conduct related to a Protected Characteristic, which has the purpose or effect of violating someone's dignity or creating an intimidating, hostile, degrading, humiliating or offensive environment for them. Harassment is dealt with further in our Anti-harassment and Bullying Policy.
- Victimisation: retaliation against someone who has complained or has supported someone else's complaint about discrimination or harassment.
- Disability discrimination: this includes direct and indirect discrimination, any unjustified less favourable treatment because of the effects of a disability, and failure to make reasonable adjustments to alleviate disadvantages caused by a disability.

##### **Recruitment and Selection**

Recruitment, promotion and other selection exercises such as redundancy selection are conducted on the basis of merit, against objective criteria that avoid discrimination. Shortlisting is done by more than one person if possible.

Vacancies are advertised to a diverse section of the labour market. Advertisements avoid stereotyping or using wording that may discourage particular groups from applying.

Job applicants are not asked questions which might suggest an intention to discriminate on grounds of a Protected Characteristic. For example, applicants are not asked whether they are pregnant or planning to have children.

## **SPECIALIST RISK INVESTMENTS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **Employees (continued)**

##### **Recruitment and Selection (continued)**

Job applicants are not asked about health or disability before a job offer is made, except in the very limited circumstances allowed by law: for example, to check that the applicant could perform an intrinsic part of the job (taking account of any reasonable adjustments), or to see if any adjustments might be needed at interview because of a disability. Where necessary, job offers can be made conditional on a satisfactory medical check. Health or disability questions may be included in equal opportunities monitoring forms, and are not used for selection or decision-making purposes.

##### **Disabilities**

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group and the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

##### **Part Time and Fixed Term Work**

Part time and fixed-term employees are treated the same as comparable full-time or permanent employees and enjoy no less favourable terms and conditions (on a pro-rata basis where appropriate), unless different treatment is justified.

##### **Breaches of this Policy**

The Group takes a strict approach to breaches of this policy, which will be dealt with in accordance with our Disciplinary Procedure. Serious cases of deliberate discrimination may amount to gross misconduct resulting in dismissal.

If any employee believes that they have suffered discrimination, then they can raise the matter through our Grievance Procedure or Anti-harassment and Bullying Policy. Complaints are treated in confidence and investigated as appropriate.

Employees must not be victimised or retaliated against for complaining about discrimination. However, making a false allegation deliberately and in bad faith will be treated as misconduct and dealt with under our Disciplinary Procedure.

##### **Employee participation**

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. The Group launched a group-wide intranet during the financial year which informs employees about all material developments within the Group.

Employee are consulted regularly on a wide range of matters affecting their current and future interests. If required we arrange the election of employee representatives who we then consult with as appropriate.

In addition, some employees receive an annual bonus which is dependent on business and personal performance.

## **SPECIALIST RISK INVESTMENTS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **Disclosure of information to auditor**

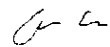
The directors confirm that:

- 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:



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**Charles Love**  
Director

Date: 03 March 2022

## **SPECIALIST RISK INVESTMENTS LIMITED**

### **DIRECTORS' RESPONSIBILITY STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020**

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The directors are responsible for preparing the Annual Report and the 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 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 of the Company and of the profit or loss of the Group and the Company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company 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 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 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 Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPECIALIST RISK INVESTMENTS LIMITED**

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### **Opinion**

We have audited the financial statements of Specialist Risk Investments Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020, which comprise the Consolidated statement of comprehensive income, Consolidated and Company statement of financial position, Consolidated cash flow statement, Consolidated and Company statement of changes in equity 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:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's loss for the year 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.

### **Conclusions relating to going concern**

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPECIALIST RISK INVESTMENTS LIMITED**

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### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the report and accounts, 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 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 on page 12, 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.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPECIALIST RISK INVESTMENTS LIMITED

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### Auditor's responsibilities for the audit of the financial statements (continued)

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with management, and from inspection of the group and company's legal and regulatory correspondence. We discussed the policies and procedures regarding compliance with laws and regulations with the Directors. We determined that the following laws and regulations were the most significant: *Companies Act 2006*, *Financial Reporting Standard 102* and the *Financial Conduct Authority (FCA) Handbook*.
- In assessing the potential risks of material misstatement, we obtained an understanding of: the entity's operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement; the applicable statutory provisions; the rules and interpretative guidance issued by the Financial Conduct Authority; the entity's control environment, including the policies and procedures implemented to comply with the requirements of its regulator, including the adequacy of the training to inform staff of the relevant legislation, rules and other regulations of the regulator, the adequacy of procedures for authorisation of transactions, the internal review procedures over the entity's compliance with regulatory requirements.
- We assessed the susceptibility of the group and company's Financial Statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included an evaluation of the risk of management override of controls. Audit procedures performed by the engagement team included:
  - evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect irregularities;
  - challenging assumptions and judgments made by management in its significant accounting estimates;
  - identifying and testing journal entries, in particular, journal entries posted with unusual account combinations.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPECIALIST RISK INVESTMENTS LIMITED

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### Auditor's responsibilities for the audit of the financial statements (continued)

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
  - knowledge of the industry in which the group and company operates.

### 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.

A handwritten signature in black ink, appearing to read "Grant Thornton UK LLP".

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#### William Pointon

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

Date: 03 March 2022



**SPECIALIST RISK INVESTMENTS LIMITED****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020**

		<b>12 months to 31 December 2020</b>	<b>15 months to 31 December 2019</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
Turnover	<b>4</b>	41,000,979	43,076,087
Administrative expenses		(37,622,967)	(41,612,715)
Other operating income	<b>5</b>	17,236	180,098
<b>Operating profit before exceptional expenses</b>		<b>3,395,248</b>	<b>1,643,470</b>
Exceptional administrative expenses	<b>6</b>	(5,071,820)	(6,866,240)
<b>Operating loss</b>	<b>7</b>	<b>(1,676,572)</b>	<b>(5,222,770)</b>
Interest receivable and similar income	<b>11</b>	16,480	71,346
Interest payable and expenses	<b>12</b>	(1,761,524)	(889,544)
<b>Loss before taxation</b>		<b>(3,421,616)</b>	<b>(6,040,968)</b>
Tax on loss	<b>13</b>	(992,830)	(733,275)
<b>Loss for the financial period</b>		<b>(4,414,446)</b>	<b>(6,774,243)</b>
<b>Loss for the year attributable to:</b>			
Owners of the parent company		(4,414,446)	(6,774,243)

The Group has no comprehensive income other than the amounts recognised in the Profit and loss account above. Accordingly no Statement of Comprehensive Income has been presented. All amounts arise from continuing operations.

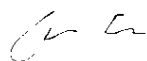
Notes 1 - 37 form part of these financial statements.

**SPECIALIST RISK INVESTMENTS LIMITED****CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2020**

		31 December 2020	31 December 2019
	Notes	£	£
<b>Fixed assets</b>			
Intangible assets	14	70,645,558	68,632,736
Tangible assets	15	1,688,320	1,444,799
Investments	16	121,226	50,567
		<u>72,455,104</u>	<u>70,128,102</u>
<b>Current assets</b>			
Debtors due within one year	17	73,552,098	68,261,498
Cash at bank and in hand	18	59,888,446	46,474,730
		<u>133,440,544</u>	<u>114,736,228</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	19	(117,344,431)	(107,966,552)
<b>Net current assets</b>		<u>16,096,113</u>	<u>6,769,676</u>
<b>Total assets less current liabilities</b>		88,551,217	76,897,778
<b>Non-current liabilities</b>			
Creditors: amounts due after one year	20	(45,429,133)	(29,617,594)
Other provisions	21	(385,600)	(340,040)
Deferred taxation	22	(323,889)	(102,858)
		<u>42,412,595</u>	<u>46,837,286</u>
<b>Net assets</b>		<u>42,412,595</u>	<u>46,837,286</u>
<b>Capital and reserves</b>			
Called-up share capital	24	6,688	6,684
Share premium account		22,603,513	22,573,756
Other reserves	27	31,516,470	31,556,477
Profit and loss account		(11,714,076)	(7,299,631)
		<u>42,412,595</u>	<u>46,837,286</u>
<b>Equity attributable to owners of the Parent Company</b>		<u>42,412,595</u>	<u>46,837,286</u>

The financial statements were approved by the Board of Directors and authorised for issue on 03 March 2022.

They were signed on its behalf by:



**Charles Love**  
Director

Notes 1 - 37 form part of these financial statements.

**SPECIALIST RISK INVESTMENTS LIMITED****COMPANY STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2020**

Company Registration No. 11099339		2020	2019
	Notes	£	£
<b>Fixed assets</b>			
Investments	16	45,009,481	44,669,172
		45,009,481	44,669,172
<b>Current assets</b>			
Debtors due within one year	17	18,475,320	40,465,751
Cash at bank and in hand	18	44,858	1,215,900
		18,520,178	41,681,651
Creditors: amounts falling due within one year	19	(9,800,297)	(32,651,192)
Net current assets		8,719,881	9,030,459
Total assets less current liabilities		53,729,362	53,699,631
<b>Net assets</b>		53,729,362	53,699,631
<b>Capital and reserves</b>			
Called-up share capital	24	6,688	6,684
Share premium account		22,603,513	22,573,756
Other reserves	27	31,582,479	31,582,479
Profit and loss account		(463,318)	(463,288)
		53,729,362	53,699,631

The parent entity, Specialist Risk Investments Limited, has taken exemption from presenting the company statement of comprehensive income under section 408 of the Companies Act 2006.

The Company made a loss of £(30) for the year ended 31 December 2020 (2019: £(463,288)). The Company had no other comprehensive income.

The financial statements of Specialist Risk Investments Limited, registered number 11099339, were approved by the Board of Directors and authorised for issue on 03 March 2022.

They were signed on its behalf by:



**Charles Love**  
Director

Notes 1 - 37 form part of these financial statements.

**SPECIALIST RISK INVESTMENTS LIMITED****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020**

		Called-up share capital	Share premium account	Other reserves	Profit and loss account	Total
	Notes	£	£	£	£	£
<b>As at 31 August 2018</b>		5,013	22,573,756	7,959,645	(525,388)	30,013,026
Loss and total comprehensive income for the year		-	-	-	(6,774,243)	(6,774,243)
Issue of shares during the period	<b>24</b>	1,671	-	-	-	1,671
Movement in the period		-	-	23,596,832	-	23,596,832
<b>As at 31 December 2019</b>		6,684	22,573,756	31,556,477	(7,299,630)	46,837,286
Loss and total comprehensive income for the year		-	-	-	(4,414,446)	(4,414,446)
Issue of shares during the period	<b>24</b>	4	29,757	-	-	29,761
Movement in the period	<b>27</b>	-	-	(40,007)	-	(40,007)
<b>As at 31 December 2020</b>		6,688	22,603,513	31,516,470	(11,714,076)	42,412,595

Notes 1 - 37 form part of these financial statements.

**SPECIALIST RISK INVESTMENTS LIMITED****COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020**

		Called-up share capital	Share premium account	Other reserves	Profit and loss account	Total
	Notes	£	£	£	£	£
<b>As at 31 August 2018</b>		5,013	22,573,756	7,956,654	-	30,535,423
Loss and total comprehensive income for the year			-	-	(463,288)	(463,288)
Issue of shares during the period	<b>24</b>	1,671	-	-	-	1,671
Movement in the period		-	-	23,625,825	-	23,625,825
<b>As at 31 December 2019</b>		6,684	22,573,756	31,582,479	(463,288)	53,699,631
Loss and total comprehensive income for the year		-	-	-	(30)	(30)
Issue of shares during the period	<b>24</b>	4	29,757	-	-	29,761
Movement in the period		-	-	-	-	-
<b>As at 31 December 2020</b>		6,688	22,603,513	31,582,479	(463,318)	53,729,362

Notes 1 - 37 form part of these financial statements.

## SPECIALIST RISK INVESTMENTS LIMITED

CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
<b>Cash flows from operating activities</b>			
Profit for the financial period		(4,414,446)	(6,774,243)
Adjustments for:			
Investment in associate impairment		269,650	-
Amortisation, impairment and write-off of intangible assets	14	9,108,725	7,562,010
Depreciation of tangible assets	15	633,281	453,216
Interest paid	12	1,761,524	889,544
Interest received	11	(16,480)	(71,346)
Taxation charge	13	992,830	733,275
(Increase)/decrease in debtors		7,056,581	6,513,345
Increase in creditors		(3,399,148)	1,799,896
Increase/(decrease) in provisions		(48,730)	48,040
Corporation tax paid		(541,074)	(1,005,797)
<b>Net cash generated from operating activities</b>		<b>11,402,713</b>	<b>10,147,940</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets	14	(89,983)	(896,030)
Purchase of tangible fixed assets	15	(849,329)	(954,591)
Interest received	11	16,480	71,346
Bank balance acquired on acquisition		6,136,343	23,539,401
Acquisitions, net of cash		(14,228,682)	(35,992,745)
Deferred considerations paid		(2,000,000)	-
Investment in associates		(340,309)	-
<b>Net cash from investing activities</b>	<b>26</b>	<b>(11,355,480)</b>	<b>(14,232,589)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	24	-	1,671
Loans received (net of fees)	20	14,825,000	28,117,595
Repayment of other loans		-	(827,607)
Interest paid	12	(1,458,517)	(889,544)
Decrease in reserves	27	-	(403,165)
<b>Net cash used in financing activities</b>		<b>13,366,483</b>	<b>25,998,950</b>
<b>Net increase in cash and cash equivalents</b>		<b>13,413,716</b>	<b>21,914,301</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>18</b>	<b>46,474,730</b>	<b>24,560,429</b>
<b>Cash and cash equivalents at the end of period</b>		<b>59,888,446</b>	<b>46,474,730</b>
<b>Cash and cash equivalents at the end of period comprise:</b>			
<b>Cash at bank and in hand</b>	<b>18</b>	<b>59,888,446</b>	<b>46,474,730</b>

Notes 1 - 37 form part of these financial statements.

## **SPECIALIST RISK INVESTMENTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **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 2).

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.

## SPECIALIST RISK INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 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 Company.

Brokerage is recognised when the company's contractual right to such income is established and to the extent that the Company's relevant obligations under the contracts concerned have been performed. For most of the Company'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 company 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 Company 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.

Commissions received in advance of revenue recognition criteria having been met in accordance with the policies described above, is credited to the deferred income account within accruals and deferred income in the Company's balance sheet.

Commissions that are recognised in accordance with this policy before it has been invoiced is included in other debtors in the Company's balance sheet.

In the case of proportional treaty insurance business and binding authorities, brokerage is recognised when the accounts are received. Fees are credited to the profit and loss account when invoiced to the client.



## **SPECIALIST RISK INVESTMENTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **2. Accounting policies (continued)**

##### **2.6 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.

##### **2.7 Other operating income**

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

##### **2.8 Interest income**

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

##### **2.9 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.

##### **2.10 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.

##### **2.11 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.

## SPECIALIST RISK INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 2. Accounting policies (continued)

##### 2.12 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.

##### 2.13 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.

##### 2.14 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.

##### 2.15 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.

## **SPECIALIST RISK INVESTMENTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **2. Accounting policies (continued)**

##### **2.15 Intangible assets (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.

##### **2.16 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.

## **SPECIALIST RISK INVESTMENTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **2. Accounting policies (continued)**

##### **2.17 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in associates are measured using the equity method of accounting.

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.

##### **2.18 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.

##### **2.19 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.

##### **2.20 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.

##### **2.21 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.

##### **2.22 Financial instruments**

The group 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 group has applied the measurement and recognition provisions of Section 11 Basic Financial Instruments of FRS 102.

##### **2.23 Forward contracts**

The group 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.

## SPECIALIST RISK INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2020

#### 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 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 and estimates have been made by management on the valuation of the forward contracts within a subsidiary within the Group. The estimate is based on the contract terms and the prevailing exchange rates at the end of the year. Management deemed it appropriate to measure the fair value of the contract in the balance sheet with changes reported in the Statement of comprehensive income.

#### 4 Turnover

An analysis of the Group's turnover by geographical market is set out below.

	12 months to 31 December 2020	16 months to 31 December 2019
	£	£
United Kingdom	30,588,398	32,287,849
Europe	9,269,865	9,009,671
Rest of the World	1,142,716	1,778,567
	<u>41,000,979</u>	<u>43,076,087</u>

**SPECIALIST RISK INVESTMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020**

5 Other operating income	12 months to 31 December 2020	16 months to 31 December 2019
	£	£
Other operating income	17,236	180,098

Other operating income includes miscellaneous income receivable from across Group subsidiaries.

6 Exceptional items	12 months to 31 December 2020	16 months to 31 December 2019
	£	£
Restructuring - IT rationalisation	2,059,368	-
Restructuring - workforce reduction	1,368,812	-
Other exceptional items	1,643,640	6,866,240
	5,071,820	6,866,240

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. Other exceptional items includes M&A, integration and fees paid to consultants providing support to the integration process.

**7 Operating loss**

Operating loss for the year is stated after charging:

	12 months to 31 December 2020	16 months to 31 December 2019
	£	£
Depreciation of tangible fixed assets	633,280	453,216
Lease expense	736,122	736,122
Amortisation of intangible fixed assets, including goodwill	8,834,157	7,562,010
Foreign exchange losses	59,057	57,020

**SPECIALIST RISK INVESTMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020****8 Auditor's remuneration**

The analysis of the auditor's remuneration is as follows:

	<b>12 months to 31 December 2020</b>	<b>16 months to 31 December 2019</b>
	<b>£</b>	<b>£</b>
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	37,500	29,000
Fees payable for the audit of the company's subsidiaries	145,000	85,000
<b>Total audit fees</b>	<b>182,500</b>	<b>114,000</b>
Audit-related assurance services	66,000	42,500
Taxation advisory services	43,000	22,000
Corporate finance services	-	417,000
<b>Total fees</b>	<b>291,500</b>	<b>595,500</b>

**9 Employees**

Their aggregate remuneration comprised:

	<b>Group 12 months to 31 December 2020</b>	<b>Group 16 months to 31 December 2019</b>
	<b>£</b>	<b>£</b>
Wages and salaries	17,715,106	19,153,289
Social security costs	1,877,966	2,045,775
Other pension costs	1,155,039	1,547,934
	<b>20,748,111</b>	<b>22,746,998</b>

The average monthly number of employees (including executive directors) was:

	<b>12 months to 31 December 2020</b>	<b>16 months to 31 December 2019</b>
	<b>No.</b>	<b>No.</b>
Sales, management and administration	<b>307</b>	<b>297</b>

**SPECIALIST RISK INVESTMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020**

<b>10 Directors' remuneration and transactions</b>	<b>12 months to 31 December 2020</b>	<b>16 months to 31 December 2019</b>
	<b>£</b>	<b>£</b>
<b>Group directors' remuneration</b>		
Emoluments	1,926,717	1,825,667
Company contributions to money purchase pension schemes	61,363	111,991
	<u>1,988,080</u>	<u>1,937,658</u>

During the year retirement benefits were accruing to 4 directors in respect of defined contribution pension schemes (2019: 8).

The highest paid director received remuneration of £335,745 (2019: £690,977).

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £32,953 (2019: £38,664).

<b>11 Interest receivable</b>	<b>12 months to 31 December 2020</b>	<b>16 months to 31 December 2019</b>
	<b>£</b>	<b>£</b>
Interest receivable	<u>16,480</u>	<u>71,346</u>

<b>12 Interest payable and similar expenses</b>	<b>12 months to 31 December 2020</b>	<b>16 months to 31 December 2019</b>
	<b>£</b>	<b>£</b>
Loan interest payable	1,758,202	881,714
Bank interest payable	3,322	7,830
	<u>1,761,524</u>	<u>889,544</u>



**SPECIALIST RISK INVESTMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020****13 Taxation**

The tax credit comprises:

	<b>12 months to 31 December 2020</b>	<b>16 months to 31 December 2019</b>
	<b>£</b>	<b>£</b>
<b>Corporation tax</b>		
UK corporation tax	971,274	606,389
Adjustments in respect of prior periods	(35,914)	30,238
<b>Total current tax</b>	<b>935,360</b>	<b>636,627</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	44,473	101,093
Adjustments in respect of prior year	12,997	(4,445)
<b>Total deferred tax</b>	<b>57,470</b>	<b>96,648</b>
<b>Total tax (charge)/credit</b>	<b>992,830</b>	<b>733,275</b>

## SPECIALIST RISK INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 13 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:

	12 months to 31 December 2020 £	16 months to 31 December 2019 £
Group loss on ordinary activities before tax	<u>(3,421,616)</u>	<u>(6,040,968)</u>
Tax on Group loss on ordinary activities at standard UK corporation tax rate of 19% (2019: 19%)	(650,107)	(1,147,784)
Effects of:		
Expenses not deductible for tax purposes	1,236,593	1,837,713
Capital allowances for period in excess of depreciation	-	-
Adjustments to tax charge in respect of previous year	(22,917)	25,793
Amounts relating to change in tax rates	382	3,055
Movements in unrecognised deferred tax	511,672	8,811
Differences in tax rates	(82,793)	5,687
Other	-	-
Total tax charge	<u>992,830</u>	<u>733,275</u>

A deferred tax asset totalling £1,144,744 (2019: £566,433) has not been recognised in respect of timing difference relating to tax losses, fixed assets, and trading and non-trading timing difference as it is not probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**SPECIALIST RISK INVESTMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020****14 Intangible assets**

	Intangibles	Goodwill	Website	Internally generated computer software	Internally generated computer software under construction	Total
	£	£	£	£	£	£
<b>Cost</b>						
At 31 December 2019	356,276	79,032,325	-	453,170	442,860	80,284,631
Additions	-	11,031,563	70,200	-	19,783	11,121,546
Impairment	-	-	-	-	-	-
Reclassification	3,646,903	(3,646,903)	-	-	-	-
At 31 December 2020	4,003,179	86,416,985	70,200	453,170	462,643	91,406,177
<b>Amortisation</b>						
At 31 December 2019	129,951	11,476,627	-	45,317	-	11,651,895
Charge for the year	375,122	8,328,100	9,640	121,295	-	8,834,157
Reclassification	3,275,324	(3,275,324)	-	-	-	-
Impairment	-	-	-	274,567	-	274,567
At 31 December 2020	3,780,397	16,529,403	9,640	441,179	-	20,760,619
<b>Net book value</b>						
At 31 December 2019	226,325	67,555,698	-	407,853	442,860	68,632,736
At 31 December 2020	222,782	69,887,582	60,560	11,991	462,643	70,645,558

**SPECIALIST RISK INVESTMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020****15 Tangible fixed assets**

	Fixtures and fittings	Leasehold improvements	Office and Computer Equipment	Total
	£	£	£	£
<b>Cost</b>				
At 31 December 2019	-	476,502	1,740,891	2,217,393
Additions	123,600	-	725,725	849,325
Acquisitions of subsidiaries	8,251	-	200,512	208,763
Reclassification	448,659	543,661	(992,320)	-
At 31 December 2020	580,510	1,020,163	1,674,808	3,275,481
<b>Depreciation</b>				
At 31 December 2020	-	224,482	548,112	772,594
Accumulated depreciation acquired on subsidiary acquisitions	5,039	-	176,248	181,287
Charge for the year	49,584	139,193	444,503	633,280
Reclassification	421,564	504,272	(925,836)	-
At 31 December 2020	476,187	867,947	243,027	1,587,161
<b>Net book value</b>				
At 31 December 2019	-	252,020	1,192,779	1,444,799
At 31 December 2020	104,323	152,216	1,431,781	1,688,320

**SPECIALIST RISK INVESTMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020****16 Fixed asset investment**

	<b>Group 2020 £</b>	<b>Group 2019 £</b>	<b>Company 2020 £</b>	<b>Company 2019 £</b>
Subsidiary undertakings at 31 December	-	-	44,669,172	44,669,172
Investment in associates	70,660	-	340,309	-
Non-trade investment additions	50,567	50,567	-	-
<b>Total</b>	<b>121,227</b>	<b>50,567</b>	<b>45,009,481</b>	<b>44,669,172</b>

**Investment in associate**

	<b>£</b>
Balance at 1 January 2020	-
Addition	340,309
Share of profit or loss from associate	(269,649)
<b>Balance at 31 December 2020</b>	<b>70,660</b>

During the year, the Company purchased 29.5% of the share capital in Onyx Insurance Broking Limited.

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

<b>Name</b>	<b>Address</b>	<b>Principal activity</b>	<b>Share class</b>	<b>Holding</b>
Specialist Risk Midco Limited	1 America Square, London, EC3N 2LB	Holding company	Ordinary	100%
Specialist Risk Group Limited*	1 America Square, London, EC3N 2LB	Holding company	Ordinary	100%
Miles Smith Holdings Limited*	1 America Square, London, EC3N 2LB	Holding company	Ordinary	100%
Miles Smith Limited*	1 America Square, London, EC3N 2LB	Lloyd's Insurance broker	Ordinary	100%
Miles Smith Insurance Solutions Limited*	1 America Square, London, EC3N 2LB	Insurance broker	Ordinary	100%
Miles Smith Broking Limited*	1 America Square, London, EC3N 2LB	Lloyd's Insurance broker	Ordinary	100%
Miles Smith PPP Limited*	1 America Square, London, EC3N 2LB	Premium finance	Ordinary	100%
London Market Broking Limited*	1 America Square, London, EC3N 2LB	Dormant	Ordinary	100%

## SPECIALIST RISK INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name		Principal activity	Share class	Holding
Core Underwriting Limited*	1 America Square, London, EC3N 2LB	Underwriting agent	Ordinary	100%
Miles Smith International Limited*	1 America Square, London, EC3N 2LB	Insurance broker	Ordinary	100%
Phillip Adams Limited*	1 America Square, London, EC3N 2LB	Insurance broker	Ordinary	100%
First4 Insurance Services Limited*	1 America Square, London, EC3N 2LB	Dormant	Ordinary	100%
Miles Smith Investments Limited*	1 America Square, London, EC3N 2LB	Dormant	Ordinary	100%
Pedal Safe Limited*	1 America Square, London, EC3N 2LB	Insurance broker	Ordinary	51%
The Underwriting Exchange Limited*	1-4 Great Tower Street, London, EC3R 5AA	Insurance broker	Ordinary	100%
London Ireland Market Exchange Limited*	1-4 Great Tower Street, London, EC3R 5AA	Insurance broker	Ordinary	100%
The Underwriting Exchange (Ireland) Limited*	16 Fitzwilliam Place, Dublin 2, Ireland	Insurance broker	Ordinary	100%
Specialist Risk Insurance Solutions Limited*	1 America Square, London, EC3N 2LB	Insurance broker	Ordinary	100%
David Codling & Associates Limited*	3 Oak Court, Bethel Road, Sevenoaks, Kent, TN13 3UE	Insurance broker	Ordinary	100%
Freeworth Limited*	1 America Square, London, EC3N 2LB	Trustee of Employee Share Trust	Ordinary	100%
AUA Insolvency Risk Services Limited*	1 America Square, London, EC3N 2LB	Insurance broker	Ordinary	100%
KBIS Holdings Limited*	1 America Square, London, EC3N 2LB	Holding company	Ordinary	100%
KBIS Limited*	1 America Square, London, EC3N 2LB	Insurance broker	Ordinary	100%

All of the above subsidiaries are included in the consolidation.

\*Investments are held indirectly.

## SPECIALIST RISK INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 16 Fixed asset investment (continued)

##### Subsidiary undertakings (continued)

The aggregate of the share capital and reserves as at 31 December 2020 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 Mldco Limited	44,669,171	-
Specialist Risk Group Limited	42,822,800	(1,411,523)
Miles Smith Holdings Limited	(256,590)	(296,506)
Miles Smith Limited	8,356,051	250,400
Miles Smith Insurance Solutions Limited	1,669,751	1,624,810
Miles Smith Broking Limited	684,454	(21,881)
Miles Smith PPP Limited	109,760	(30)
Core Underwriting Limited	(290,881)	80,747
Miles Smith International Limited	(425,998)	303,655
Phillip Adams Limited	52,133	(56)
First4 Insurance Services Limited	(399,290)	-
Miles Smith Investments Limited	49	-
Pedal Safe Limited	(200)	-
The Underwriting Exchange Limited	11,363,313	584,084
London Ireland Market Exchange Limited	986,609	415,170
The Underwriting Exchange (Ireland) Limited	873,021	850,127
Specialist Risk Insurance Solutions Limited	3,883,148	783,168
David Codling & Associates Limited	694,558	238,363
Freeworth Limited	1	-
AUA Insolvency Risk Services Limited	2,178,406	(22,869)
KBIS Holdings Limited	10,352	-
KBIS Limited	1,995,495	-
London Marked Broking Limited	2	-

##### Business combinations

On 31 September 2020 Miles Smith Insurance Solutions Limited acquired control of AUA Insolvency Risk Solutions Limited (IRS), through the purchase of 100% of the share capital for total consideration of £3,406,105.

On 31 December 2019 Miles Smith Insurance Solutions Limited acquired control of KBIS Holdings and KBIS Limited (KBIS Group), through the purchase of 100% of the share capital for total consideration of £12,259,697.

Management have estimated the useful life of the goodwill of these acquisitions 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.

# SPECIALIST RISK INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 16 Fixed asset investment (continued)

#### Business combinations (continued)

	IRS Book / Fair value £	KBIS Group Book / Fair value £	Total Book / Fair value £
Property, plant and equipment		27,477	27,477
Intangible assets	-	-	-
	-	27,477	27,477
Debtors	10,167,915	2,137,626	12,305,542
Cash at bank and in hand	3,325,756	2,810,587	6,136,343
Total assets	13,493,672	4,975,690	18,469,362
Creditors	(11,292,397)	(2,838,262)	(14,130,659)
Provisions	-	(168,570)	-
Total identifiable net assets	2,201,275	1,968,859	4,170,134
Goodwill	1,204,830	10,290,838	11,495,669
Total purchase consideration	3,406,105	12,259,697	15,665,802
Consideration	£	£	£
Cash	2,248,075	10,919,576	13,167,651
Equity instruments	-	-	-
Deferred consideration	500,000	1,000,000	1,500,000
Directly attributable costs	658,030	340,121	998,151
Deferred attributable costs	-	-	-
Total purchase consideration	3,406,105	12,259,697	15,665,802
Cash outflow on acquisition	£	£	£
Purchase consideration settled in cash, as above	2,248,075	10,919,576	13,167,651
Directly attributable costs	658,030	340,121	998,151
			-
Less: Cash and cash equivalents acquired	(3,325,756)	(2,810,587)	(6,136,343)
Net cash outflow on acquisition	(419,651)	8,449,110	8,029,459



**SPECIALIST RISK INVESTMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2020**

<b>17 Debtors</b>				
	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year:</b>				
Trade debtors	65,901,924	65,974,303	-	-
Amounts owed by Group undertakings	-	-	18,361,171	40,381,364
Deferred tax	-	-	-	-
Current tax	400,188	349,047	-	-
Prepayments and accrued income	5,971,331	622,674	-	-
Unpaid share capital	29,761	-	29,761	-
Other debtors	1,248,893	1,315,474	84,387	84,387
	<u>73,552,098</u>	<u>68,261,498</u>	<u>18,475,320</u>	<u>40,465,751</u>
<b>18 Cash at bank and in hand</b>				
	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Insurance related	53,525,767	41,452,946	-	-
Own Cash	6,362,679	5,021,784	44,858	1,215,900
	<u>59,888,446</u>	<u>46,474,730</u>	<u>44,858</u>	<u>1,215,900</u>

Insurance related cash balances represents amounts held by the Group arising due to the Group's insurance broking operations which is held in non-statutory trust accounts or insurer trust accounts, which operate with the requirements of the FCA.

**SPECIALIST RISK INVESTMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020**

<b>19 Creditors: amounts falling due within one year</b>				
	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade creditors	111,417,176	100,292,204	-	-
Amounts owed to Group undertakings	-	-	9,800,297	31,542,600
Corporation tax payable	432,221	-	-	-
Other taxation and social security	685,892	616,097	-	-
Other creditors	781,921	2,204,959	-	1,108,592
Accruals and deferred income	3,727,220	3,053,292	-	-
Deferred consideration	300,000	1,800,000	-	-
	<u>117,344,431</u>	<u>107,966,552</u>	<u>9,800,297</u>	<u>32,651,192</u>

<b>20 Creditors: amounts falling due after one year</b>				
	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Loans	43,429,133	28,117,594	-	-
Deferred consideration	2,000,000	1,500,000	-	-
	<u>45,429,133</u>	<u>29,617,594</u>	<u>-</u>	<u>-</u>

Borrowings are repayable as follows:

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Loans</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Between two and five years	43,429,133	28,117,594	-	-
Over five years	-	-	-	-
	<u>43,429,133</u>	<u>28,117,594</u>	<u>-</u>	<u>-</u>

## SPECIALIST RISK INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 20 Creditors: amounts falling due after one year (continued)

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% (which applies to the whole facility) 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.

In May 2020, the Group borrowed £1,500,000 (excl. fees) to finance the first deferred consideration payment of Square Mile Limited.

In November 2020, the Group borrowed £1,000,000 (excl. fees) to finance the final deferred consideration payment of Square Mile Ltd completed in Q4 2019.

In December 2020, the Group drew down from its agreed facilities £9,100,000 (excl. fees) to finance the purchase of KBIS Limited.

In December 2020 the Group drew down on its existing facility, the Group borrowed £3,500,000 (excl. fees) to finance the purchase of GB Underwriting, which completed in January 2021.

The company has granted charges over its assets to secure its loans of £44,600,000 (2019: £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.

Included within the balance in loans are £1,338,662 upfront fees which is being amortised over the duration of the loan, and £167,796 accrued interest.

**SPECIALIST RISK INVESTMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020****21 Provisions for liabilities**

<b>Dilapidation provision</b>	<b>2020</b>	<b>2019</b>
<b>Group</b>	<b>£</b>	<b>£</b>
At the beginning of the period	340,040	292,000
Addition	93,600	-
Reclassification	(48,040)	-
Charged to the profit and loss account	-	48,040
	<u>385,600</u>	<u>340,040</u>

**22 Deferred taxation**

	<b>2020</b>	<b>2019</b>
<b>Group</b>	<b>£</b>	<b>£</b>
At the beginning of period	102,858	(30,417)
Acquired during the period	-	36,626
Adjustment in respect of prior periods	163,561	(4,444)
Charged to the profit or loss	57,470	101,093
<b>Deferred tax liability</b>	<u>323,889</u>	<u>102,858</u>

	<b>Group</b>	<b>Group</b>
	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Fixed asset timing differences	437,906	188,693
Other timing differences	(114,016)	(85,835)
	<u>323,890</u>	<u>102,858</u>

In addition, to the deferred tax liability set out above, there are unrecognised deferred tax assets in subsidiary undertakings, of £5,008 (2019 £nil) arising from trading losses carried forward.

**SPECIALIST RISK INVESTMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020****23 Financial instruments**

	<b>Group</b>	<b>Group</b>
	<b>2020</b>	<b>2019</b>
<b>Financial assets</b>	<b>£</b>	<b>£</b>
Financial assets measured at fair value through profit or loss	59,888,446	47,034,808
Financial assets that are debt instruments measured at amortised cost	67,580,767	67,638,824
	<u>127,469,212</u>	<u>114,673,632</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>(114,884,697)</u>	<u>(106,137,203)</u>
Financial liabilities measured at fair value through profit or loss	<u>(335,360)</u>	<u>(57,946)</u>
	<b>Company</b>	<b>Company</b>
	<b>2020</b>	<b>2019</b>
<b>Financial assets</b>	<b>£</b>	<b>£</b>
Financial assets measured at fair value through profit or loss	44,858	1,215,900
Financial assets that are debt instruments measured at amortised cost	18,475,320	40,465,751
	<u>18,520,178</u>	<u>41,681,651</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>(9,800,297)</u>	<u>(32,651,192)</u>

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.

Financial liabilities measured at fair value through profit or loss comprise the foreign exchange forward contract (financial instruments).

## SPECIALIST RISK INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 23 Financial instruments (continued)

##### Derivative financial instruments

	2020 £	2019 £
At the beginning of the period	57,946	-
Addition	335,360	57,946
Utilisation of instrument	(57,946)	-
	<u>335,360</u>	<u>57,946</u>

##### Forward contracts

The Group entered into forward foreign currency contracts via its subsidiary, The Underwriting Exchange Limited, to mitigate exchange rate risk. At 31 December 2020, the company committed to sell €8,450,000 (2019: €5,600,000).

The forward contracts have margin calls attached to them depending on adverse movements to the exchange rate. The margin call is paid to the counterparty to be held in trust as collateral, and is subsequently returned once foreign exchange rates normalise. The current amount paid to the counterparty is £296,126 (2019: £nil) and is included in Other debtors.

##### Analysis of net debt

	As at 31 December 2019	Cash flows	Cash acquired from acquisition	Non cash changes	As at 31 December 2020
<b>Cash and cash equivalents</b>					
Cash	46,474,730	7,277,373	6,136,343	-	59,888,446
Other	-	-	-	-	-
	<u>46,474,730</u>	<u>7,277,373</u>	<u>6,136,343</u>	<u>-</u>	<u>59,888,446</u>
<b>Borrowings</b>	<u>(28,117,594)</u>	<u>(14,825,000)</u>	<u>-</u>	<u>(486,539)</u>	<u>(43,429,133)</u>
Due within one year	-	-	-	-	-
Due after one year	<u>(28,117,594)</u>	<u>(14,825,000)</u>	<u>-</u>	<u>(486,539)</u>	<u>(43,429,133)</u>
<b>Net debt</b>	<u>18,357,136</u>	<u>(7,547,628)</u>	<u>6,136,343</u>	<u>(486,539)</u>	<u>16,459,312</u>

**SPECIALIST RISK INVESTMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020****24 Called-up share capital and reserves**

Allotted, called up and part-paid	2020 £	2019 £
66,670 Ordinary A shares of £0.1 each	6,667	6,667
153,865 Ordinary B shares of £0.0001 each	15	15
17,832 Ordinary C shares of £0.0001 each	2	2
35,899 Ordinary D shares of £0.0001 each	3	3
13,542 Ordinary E shares of £0.0001 each	1	1
	<u>6,688</u>	<u>6,684</u>

2,089 D shares, and 2,089 E Shares, were issued during the year which remain unpaid as at 31 December 2020, and amounts owed are within Debtors (note 17).

With regards to rights, 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**

Reserves of the Company represent the following:

**Share premium account**

Consideration received for shares issued above their nominal value net of transaction costs. During the year 2,089 D and E shares were issued resulting in a premium of £29,757, which remain unpaid and are sitting in Other Debtors.

**Profit and loss account**

Cumulative profit and loss net of distributions to owners.

**Other reserves**

The cumulative share-based payment expense.

**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.

## SPECIALIST RISK INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 26 Reserves (continued)

##### 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.

#### 27 Other reserves

	Treasury Reserve	Share option reserve	Share based payment reserve	Aggregation reserve	Merger Relief Reserve	Total
As at 31 December 2019	(59,814)	94,851	(5,073)	83,358	31,443,153	31,556,475
Movement in the EBT	-	-	-	(40,000)	-	(40,000)
Other movements	-	-	(5)	-	-	(5)
As at 31 December 2020	(59,814)	94,851	(5,078)	43,358	31,443,153	31,516,470

#### 28 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		Weighted average exercise price	
	2020	2020	2019	2019
	Pence	Number	Pence	Number
Outstanding at beginning of the period	100	1,288	102	3,359
Granted during the period	-	-	104	28
Forfeited during the period	-	-	130	(112)
Exercised during the period	-	-	102	(1,987)
Outstanding at the end of the period	100	1,288	100	1,288



**SPECIALIST RISK INVESTMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020****29 Share based payments (continued)**

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:

<b>Date</b>	<b>Number</b>
28-Feb-18	943
28-Feb-18	1,212
28-Feb-18	1,204

No options were exercised during the period ending December 2020 (2019: 1,987). The weighted average share price based on the asset value at the date of exercise of the options in December 2020 was £102.

The fair values were calculated using the Black Scholes Pricing Model. The inputs into the model are 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.

**30 Capital commitments**

There were no capital commitments as at 31 December 2020.

**31 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. £114,848 is included within Other creditors within the balance sheet.

**32 Commitments under operating leases**

The total future minimum lease payments under non-cancellable operating leases are as follows:

<b>Group</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Amounts due:		
Within one year	736,122	762,664
Between one and five years	1,897,854	1,800,942
	<u>2,633,976</u>	<u>2,563,606</u>

## **SPECIALIST RISK INVESTMENTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **33 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.

As at 31 December 2020 the following amounts were owed by Directors:

S O'Connor (resigned 31 August 2020) - £23,606 (2019; £23,606)

A Butler (resigned 31 August 2020) - £480 (2019; £480)

At the year end, £147,404 was owed by Onyx Insurance Brokers Limited by virtue of investment in associate. During the year, £nil was repaid by Onyx Insurance Brokers Limited.

#### **34 Key management remuneration**

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

#### **35 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.

#### **36 Controlling party**

The ultimate controllers of this company at the date of signing the financial statements is HGGC IV, L.P. a fund which is managed by HGGC, a company incorporated in United States of America. The address of HGGC is 1950 University Avenue, Palo Alto, California, 94303. The Directors consider Saturn UK Bidco Limited, whose registered office is Suite 1, 3rd Floor 11 - 12 St James's Square, London, United Kingdom, SW1Y 4LB, to be the Company's immediate parent undertaking.

The parent company of the smallest and largest Group to include the Company within its consolidated financial statements is Specialist Risk Investments Limited. Copies of these financial statements are available on the Companies House website.

**SPECIALIST RISK INVESTMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020****37 Subsidiary guarantee**

As a parent company, established under the law of the UK (an EEA state) for the financial year ended 31 December 2020, the Group took advantage of the exemption from audit under section 479A of the Companies Act 2006 for the following subsidiary undertakings:

<b>Company name</b>	<b>Company registration number</b>
Specialist Risk 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
Philip Adams Limited	08163996
First4 Insurance Services Limited	06447123
Miles Smith Investments Limited	07146827
Freeworth Limited	04142175
London Ireland Market Exchange Limited	08621272
David Codling and Associates Limited	04816547