

## ANNUAL REPORT AND FINANCIAL STATEMENTS

# 2018

FOR THE YEAR ENDED 31 DECEMBER 2018

## AZUR UNDERWRITING LIMITED

Registered number: 09903413



# **AZUR UNDERWRITING LIMITED**

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# AZUR UNDERWRITING LIMITED

## COMPANY INFORMATION

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**Directors**

Mr CJ Blackburn  
Mr GA Elliott  
Mr IB Davies  
Mr I Pettifor  
Ms KV Wells

**Company Secretary**

Vistra Company Secretaries Limited

**Company Number**

09903413

**Business Address**

4 Christopher Street  
London  
EC2A 2BS

**Registered Address**

First Floor  
Templeback  
10 Temple Back  
Bristol  
BS1 6FL

**Bankers**

Lloyds Bank Plc  
25 Gresham Street  
London  
EC2V 7HN

**Independent Auditor**

PKF Littlejohn LLP  
Statutory Auditor  
15 Westferry Circus  
Canary Wharf  
London  
E14 4HD

## AZUR UNDERWRITING LIMITED

### STRATEGIC REPORT

The Directors present their Strategic Report for the Company for the year ended 31 December 2018.

#### **Report of the business**

##### ***Review of the business***

The Company, authorised by the Financial Conduct Authority, is an insurance intermediary operating as a Managing General Agent ("MGA") in the distribution and creation of product for insurers. As a MGA the Company distributes, through retail and wholesale brokers servicing insured clients in the United Kingdom and overseas, insurance products on behalf of insurers who have delegated underwriting authority to the Company. The Company also provides these services to insurers under negotiated Transitional Services Agreements.

In 2018 the Company continued to actively grow its insurance intermediation platform through the expansion of its distribution channels together with developing new product offerings in conjunction with the Azur Group's technology services company, Aztech Advantage Limited ("Aztech"). The Company launched several new products during the year, including:

- Collector Car;
- Course of Construction; and
- SmartHome.

On the back of this, revenue increased by 22% (2017: n/a) to £3.9 million on gross written premium of £31.75 million (2017: £28.78 million). 79% of the 33.5% increase in Administrative expenses is attributable to higher corporate and central services recharges from fellow subsidiary companies.

##### ***Capital structure***

It is the Company's policy to maintain a strong capital base, expanding it as appropriate to support projected growth, and to utilise capital efficiently.

In determining appropriate levels of capital, the Directors are conscious of the need to maintain a prudent relationship between the underlying risks of the business and Parent Company return, whilst at the same time satisfying financial covenants in bank credit facilities, as and when the Company wishes to source such finance.

The Company currently finances its operations from the following sources:

- a) Equity; and
- b) Cash generated from operations.

# AZUR UNDERWRITING LIMITED

## STRATEGIC REPORT

### ***Capital structure (continued)***

The following tables show the capitalisation and indebtedness of the Company at the year end:

	31 December 2018 £'000
<b><u>Capitalisation and indebtedness</u></b>	
Secured	
Unguaranteed/unsecured	227
Total current and non-current debt	<u>227</u>
Share capital and share premium	125
Other reserves	72
Retained earnings	1,050
Shareholder's equity	<u>1,247</u>
<b><u>Net indebtedness / resources</u></b>	
Cash	816
Total liquidity	<u>816</u>
Current bank debt	
Other current financial debt	(227)
Current financial indebtedness	<u>(227)</u>
Net current financial liquidity	<u>589</u>
Non-current financial indebtedness	
Net financial resources	<u>589</u>

### **Notes**

(1) The Company has no indirect or contingent indebtedness as at 31 December 2018.

# AZUR UNDERWRITING LIMITED

## STRATEGIC REPORT

### **Key performance indicators**

Although a profitable company, having sufficient cash resources to satisfy the Company's financial obligations as and when they fall due remains of paramount importance. Thereafter, the Directors are focused on building a sustainable business i.e. one that deploys a conduct-rich operating framework to fulfil the stated strategy of delivering an enhanced User Experience for insured customers, brokers and insurers whilst satisfying the needs of the shareholder, employees and supplier partners.

Commensurate with the Company's objective to provide its shareholder with sustainable relatively low-risk capital growth, whilst maintaining or enhancing customer outcomes, the Directors target the realisation of long-term efficiencies through the deployment of technology. The Directors believe that average headcount and revenue per employee provide insight into the operating efficiency of the Company.

The Directors believe that the number and nature of complaints, both from brokers and insured customers, is a basic indicator of the adequacy of customer outcomes.

The Company employs an array of other key performance indicators. However, in the opinion of the Directors the disclosure of competitor-sensitive information regarding, for example policy retention rates, average commissions, gross loss ratios, claims declined ratios etc is likely to be prejudicial to the interests of the Company. Accordingly, the Directors limit disclosure of key performance indicators to the following:

	2018	2017
Revenue (£'000's)	3,942	3,235
Profit before tax (£'000's)	816	922
Revenue per employee (£'000's)	207.5	190.3
Number of complaints:		
- Sales & service	7	1
- Claims handling	6	10
Average headcount	19	17
Cash and cash equivalents (£'000's)	816	285

### **Principal risks and uncertainties**

#### **Risk management objectives and policies**

The principal risks and uncertainties for the Company follow from the willingness of the insurance sector to distribute and underwrite the classes of risk in which the Company specialises and the competitiveness of the insurance brokers and insurers used compared with other products and markets available to insured customers.

The Board sets the overall risk appetite and philosophy of the Company. The Board, through its executives, establishes the parameters for risk appetite through setting strategic direction, contributing to and ultimately approving annual business plans for the Company, and regularly reviewing and monitoring performance in relation to risk through ad hoc reports.

Risk appetite is defined in both qualitative and quantitative terms and is an expression of the maximum level of residual risk that the Company is prepared to accept in order to deliver its business objectives and is regularly assessed.

Through its activities the Company is exposed to a number of financial and non-financial risks. The Company does not use derivative financial instruments and has nominal exposure to such risks.

## AZUR UNDERWRITING LIMITED

### STRATEGIC REPORT

#### ***Principal risks and uncertainties (continued)***

##### ***Financial risks***

The principal financial risks that the Company seeks to manage are as follows:

##### ***Credit risk***

Credit risk is the risk that the Company will incur losses as a result of the failure of insured customers, brokers, insurers and other counterparties to meet their obligations and the holdings of cash and cash equivalents.

Such losses are minimised by performing a credit assessment on the opening of new bank accounts and on new brokers at take-on as well as by actively monitoring aged receivables. In extremis, and with the insurer's agreement, policies of insurance can be cancelled ab initio.

##### ***Liquidity risk***

Liquidity risk is the risk that the Company is unable to meet its cash obligations as they fall due.

The Company manages its liquidity risk by monitoring short-term and long-term cash flow forecasts which identify significant future cash flow requirements and inflows. The Company aims to mitigate liquidity risk by maintaining a mixture of short-term and long-term facilities to ensure that it has sufficient available funds to satisfy daily requirements.

##### ***Foreign exchange risk***

Foreign exchange risk is the risk of adverse changes in currency exchange rates.

The Company, which has as its functional currency Pounds Sterling, is generally exposed to manageable levels of operational foreign exchange risk in that the Company's revenues, recharges and material expenditure are predominantly denominated in Pounds Sterling and Euros.

##### ***Interest rate risk***

Interest rate risk is the risk of adverse changes (effectively increases) in market interest rates and arises primarily from the bank overdrafts which are on occasion held by the Company.

The Company manages its exposure to this risk by regularly monitoring interest rates and avoiding the use of bank overdrafts.

##### ***Non-financial risks***

The principal non-financial risks that the Company seeks to manage are as follows:

##### ***Reputational risk***

Reputational risk is the risk that the Company's ability to conduct business will be damaged as a result of its reputation being tarnished, including as a result of regulatory censure. The Company has policies and procedures in place to manage this risk to the extent possible which include, inter alia, procedures for the hiring and screening of employees, the taking-on of new business, the countering of fraud and corruption and the conducting of business in a client-centric and ethical manner.

## AZUR UNDERWRITING LIMITED

### STRATEGIC REPORT

#### ***Principal risks and uncertainties (continued)***

##### ***Reputational risk (continued)***

The Directors recognise that the success of the Company within the niche sectors it serves is heavily dependent upon demonstrating and maintaining consistently high ethical standards in all business dealings and delivering a high-quality service to clients and insured customers. For this reason, the Directors have sought to embed conduct at the heart of the business.

##### ***Operational risk***

Operational risk is the risk of loss of earnings and/or value resulting from inadequate or failed internal processes, people and systems or from external events. It is inherent within all of the financial risk categories above. Operational risks encompass customer treatment, product development risk, processes and systems risk, change risk, people risk, theft, fraud, legal and regulatory risks and corporate governance risk.

The Company has a business continuity plan in place which is tested and enhanced on an ad hoc basis, together with policies to cover the risks of financial crime, money laundering and whistle-blowing.

##### ***Future developments***

The Directors expect the general level of activity to increase in the forthcoming year as the Company looks to expand its insurance intermediation platform to include a broader array of products and markets.

The Directors continue to closely monitor BREXIT developments as the Company relies on current EU freedom of service provisions to distribute insurance products and provide claims handling services to insured customers across Europe. In readiness for a potential "Hard Brexit", the Azur Group incorporated an Irish subsidiary, Azur UW Finance (Ireland) Limited in January 2019. The Company awaits authorisation from the Central Bank of Ireland having submitted an application for approval as a Retail Intermediary under the European Union (Insurance Distribution) Regulations 2018 on 13 February 2019.

Details of significant events since the balance sheet date are contained in Note 26 to the financial statements.

##### ***Going concern***

Having made appropriate enquiries, the Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the summary of significant accounting policies in Note 2 to the financial statements.

By Order of the Board



Graham Elliott  
Director  
26 September 2019



## AZUR UNDERWRITING LIMITED

### DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2018.

#### **General Information**

Azur Underwriting Limited is a private company limited by shares, incorporated and domiciled in England. Its registered address is First Floor, Templeback, 10 Temple Back, Bristol, BS1 6FL and its principal place of business is 4 Christopher Street, London, EC2A 2BS.

The ultimate parent company is Azur Group Holdings Limited.

#### **Future developments and events after the balance sheet date**

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on page 7 and form part of this report by cross-reference.

#### **Dividends**

The Directors declared an interim dividend on 26 October 2018 of £4.00 per ordinary share in the amount of £500,000 to the parent company, Azur Group Holdings Limited, which was paid on 22 November 2018.

#### **Political and charitable donations**

During the year no political donations were made by the Company. Charitable donations amounted to £786 (2017: £1,014).

#### **Disabled persons**

It is the Company's policy to give full consideration to suitable applications for employment of disabled persons. Disabled employees are eligible to participate in all career development opportunities available to staff. Opportunities also exist for employees of the Company who become disabled to continue in their employment or to be retrained for other positions in the Company.

#### **Employee involvement**

It is an integral part of the Azur culture that employees adopt a shareholder mentality and an innovative mind-set and feel empowered to challenge existing preconceptions and practices.

The Company is therefore, committed to involving all employees in the performance and development of the Company and its products and services. Its approach to employee development offers continual challenges in the job, learning opportunities and personal development.

The Company encourages all its employees to participate fully in the business through open dialogue. Employees receive news of the Company through senior management presentations, frequent email notices and postings on the Company's intranet. The Company maintains a strong communications network and employees are encouraged, through the newly established AzOne committee and an open-door policy, to discuss with management matters of interest to the employee and subjects affecting the day-to-day operations and the sustainability of the Company.

## AZUR UNDERWRITING LIMITED

### DIRECTORS' REPORT

#### Directors

The Directors of the Company during the year ended 31 December 2018, together with their dates of appointment and/or resignation as applicable, were:

	<u>Date of appointment</u>	<u>Date of resignation</u>
Mr GA Elliott	4 December 2015	
Mr CJ Blackburn	1 April 2016	
Mr IB Davies	4 December 2018	
Mr I Pettifor	1 April 2016	
Ms KV Wells	21 February 2017	
Mr NJ Minnich	14 July 2017	1 December 2018

The Directors have no interests in the shares of the Company nor in any shares of any other Group company other than in the ultimate holding company. The interests of those Directors, who are also Directors of the ultimate holding company, in the ultimate holding company are shown in the consolidated financial statements of Azur Group Holdings Limited (the "Parent Company").

#### Directors' indemnity

The Company has provided qualifying third-party indemnities for the benefit of its Directors. These were provided during the period and remain in force at the date of this report.

#### Provision of information to auditor

So far as each of the Directors is aware at the time this report is approved:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

#### Auditor

PKF Littlejohn LLP has signified its willingness to continue in office as auditor.

This report was approved by the Board on 26 September 2019 and signed on its behalf.



Graham Elliott  
Director  
26 September 2019

## AZUR UNDERWRITING LIMITED

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. 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 for that period.

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; 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 the financial statements may differ from legislation in other jurisdictions.

## AZUR UNDERWRITING LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBER

We have audited the financial statements of Azur Underwriting Limited (the "Company") for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standard ("IFRS") as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; 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 ("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 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

#### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. 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.

## **AZUR UNDERWRITING LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBER**

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#### **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.

#### **Matters on which we are required to report by exception**

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.

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**

As explained more fully in the Statement of Directors' Responsibilities, 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 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 Company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

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

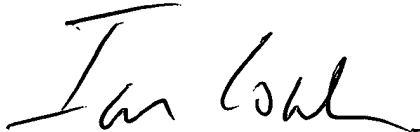
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## AZUR UNDERWRITING LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBER

#### Use of our report

This report is made solely to the Company's member, 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 member those matters we are required to state to it 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 member as a body, for our audit work, for this report, or for the opinions we have formed.



**Ian Cowan (Senior Statutory Auditor)**  
**For and on behalf of PKF Littlejohn LLP**  
**Statutory Auditor**

15 Westferry Circus  
Canary Wharf  
London E14 4HD

27 September 2019

**AZUR UNDERWRITING LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 31 December 2018

	Note	2018 £	2017 £
<b>Profit from Operations</b>			
Revenue	5	3,942,422	3,234,999
<b>Gross Profit</b>		<u>3,942,422</u>	<u>3,234,999</u>
Other income	6	396,723	324,971
Administrative expenses		<u>(3,522,649)</u>	<u>(2,638,005)</u>
<b>Operating Profit on Ordinary Activities Before Income Tax</b>		816,496	921,965
Income tax charge	10	<u>(69,910)</u>	<u>(17,027)</u>
<b>Profit on Ordinary Activities for the Period</b>		746,586	904,938
<b>Other Comprehensive Income for the Period, Net of Tax</b>		-	-
<b>Total Comprehensive Profit for the Period</b>		<u>£746,586</u>	<u>£904,938</u>

The accounting policies and notes on pages 18 to 35 form part of these financial statements.

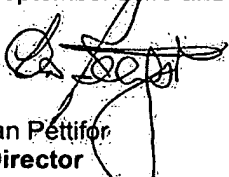
**AZUR UNDERWRITING LIMITED**

**STATEMENT OF FINANCIAL POSITION**  
as at 31 December 2018

	Note	2018 £	2017 £
<b>Assets</b>			
<b>Current Assets</b>			
Deferred tax	13	-	1,176
Trade and other receivables	14	1,105,569	1,163,613
Cash and cash equivalents	15	816,100	284,716
<b>Total Assets</b>		<b>£ 1,921,669</b>	<b>£ 1,449,505</b>
<b>Equity and Liabilities</b>			
<b>Equity Attributable to Shareholder</b>			
Share capital	16	125,000	125,000
Other reserves	17	71,855	21,005
Retained earnings	18	1,049,708	803,122
<b>Total Equity</b>		<b>1,246,563</b>	<b>949,127</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Corporation Tax	10	68,734	-
Trade and other payables	19	534,972	434,178
Provisions for other liabilities and charges	20	71,400	66,200
<b>Total Liabilities</b>		<b>675,106</b>	<b>500,378</b>
<b>Total Equity and Liabilities</b>		<b>£ 1,921,669</b>	<b>£ 1,449,505</b>

The accounting policies and notes on pages 18 to 35 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 26 September 2019 and were signed on its behalf by:

  
**Ian Pettifor**  
**Director**  
 Company number 09903413



**AZUR UNDERWRITING LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
for the year ended 31 December 2018**

Attributable to Equity Shareholder					
	Note	Share capital £	Other reserves £	Retained earnings £	Total £
Balance as at 1 January 2018		125,000	21,005	803,122	949,127
Profit for the year		-	-	746,586	746,586
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income		-	-	746,586	746,586
Transactions with Owner					
Dividends	11	-	-	(500,000)	-
Employee share option scheme: - Capital contribution	17	-	50,850	-	50,850
Total Transactions with Owner Recognised Directly in Equity		-	50,850	(500,000)	(449,150)
Balance as at 31 December 2018		£ 125,000	£ 71,855	£ 1,049,708	£ 1,246,563
Balance as at 1 January 2017		1,000	591	(101,816)	(100,225)
Profit for the year		-	-	904,938	904,938
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income		-	-	904,938	904,938
Transactions with Owner					
Proceeds from shares issued		124,000	-	-	124,000
Employee share option scheme: - Capital contribution		-	20,414	-	20,414
Total Transactions with Owner Recognised Directly in Equity		124,000	20,414	-	144,414
Balance as at 31 December 2017		£ 125,000	£ 21,005	£ 803,122	£ 949,127

The accounting policies and notes on pages 18 to 35 form part of these financial statements.

**AZUR UNDERWRITING LIMITED**

**STATEMENT OF CASH FLOWS  
for the year ended 31 December 2018**

	Note	2018	2017
		£	£
<b>Cash Flows from Operating Activities</b>			
Cash generated from/(absorbed by) operations	21	1,031,384	(266,282)
<b>Net Cash Generated from/(Absorbed by) Operating Activities</b>		<u>1,031,384</u>	<u>(266,282)</u>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issuance of ordinary shares			124,000
Dividends paid		(500,000)	
<b>Net Cash (used in)/Generated from Financing Activities</b>		<u>(500,000)</u>	<u>124,000</u>
<b>Net Increase/(Decrease) in Cash, Cash Equivalents and Bank Overdrafts</b>		<u>531,384</u>	<u>(142,282)</u>
Cash, cash equivalents at beginning of period		284,716	426,998
<b>Cash and Cash Equivalents at End of Year</b>	15	<u><b>£ 816,100</b></u>	<u><b>£ 284,716</b></u>

The accounting policies and notes on pages 18 to 35 form part of these financial statements.

## AZUR UNDERWRITING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

#### 1. General information

Azur Underwriting Limited (the "Company") is a private company limited by shares, which is incorporated and domiciled in the UK.

#### 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### ***Basis of preparation***

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations ("IFRS IC") as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant in the financial statements, are disclosed in Note 4.

##### ***Going concern***

After making appropriate enquiries, the Directors are satisfied that the Company has adequate resources available to it to continue in operational existence for the foreseeable future. The Company, therefore, continues to adopt the going concern basis in preparing its financial statements.

##### **Changes in accounting policies and disclosures**

###### ***(a) New standards, amendments and interpretations adopted by the Company***

A number of new standards were effective for the first time for the financial year beginning 1 January 2018:

- International Reporting Standard ("IFRS") 9 'Financial instruments'; and
- International Reporting Standard ("IFRS") 15 'Revenue from contracts with customers'

The adoption of IFRS 9 and IFRS 15 has not impacted the measurement basis of the opening balance sheet.

###### ***(b) New standards and interpretations not yet adopted***

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company.

## AZUR UNDERWRITING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

#### 2. Summary of significant accounting policies (continued)

##### **Foreign currency translation**

###### Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Pounds Sterling ("£"), which is the Company's functional and presentation currency.

###### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation, where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in Other Comprehensive Income as qualifying cash flow hedges and qualifying net investment hedges. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates prevalent at the date of the transactions.

Foreign currency gains and losses are reported on a net basis.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within Administrative Expenses. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income.

Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in Other Comprehensive Income.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets measured at fair value are included in Other Comprehensive Income.

##### **Financial assets**

The Company classifies its financial assets into the following categories:

- Amortised Cost;
- Fair Value through Other Comprehensive Income ("FVTOCI"); and
- Fair Value through Profit or Loss ("FVTPL")

The classification depends on the Company's objective for holding and managing the financial asset, together with the cash flow characteristics of the financial asset.

At initial recognition, the Company measures its financial assets at their fair value, inclusive of transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition, the Company measures its financial assets at amortised cost if both the following conditions are met:

- a) the objective of holding the financial asset is to collect contractual cash flows, and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## AZUR UNDERWRITING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

#### 2. Summary of significant accounting policies (continued)

Otherwise the Company measures its financial assets at Fair Value through Other Comprehensive Income or Fair Value through Profit or Loss

##### Impairment of financial assets

##### Assets carried at amortised cost

For trade receivables and contractual assets of one year or less, or ones that do not contain a significant financing component, the Company adopts the simplified model for impairing financial assets whereby it is not required to determine whether there has been a significant increase in credit risk ("SICR") since initial recognition; rather the Company recognises a loss allowance at an amount equal to lifetime expected credit losses ("ECL").

The Company employs a provision matrix using a combination of days – past - due and historically observed credit loss experience over the life of trade receivables, adjusted for forward-looking estimates to determine lifetime ECL's. The Company segregates its trade receivables if its historical credit loss experience indicates significantly different loss patterns for different customer segments.

On adoption of IFRS 9, the Company has not impaired any of its trade receivables. In coming to this conclusion the Company determined that the historically observed credit loss experience over the life of the trade receivables was nil.

##### Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

##### Cash and cash equivalents

In the Statement of Cash Flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

##### Insurance intermediation debtors and creditors

As a Managing General Agent, the Company acts as an agent in the placement of insurable risks on a risk-transfer basis on behalf of insurers and is not liable, as principal, for amounts arising from such transactions.

In recognition of this relationship, debtors from insurance intermediation transactions are not included as an asset of the Company. Other than the receivable for brokerage, commissions or fees earned on placement of an insurable risk, no recognition of the insurance transactions occurs until the Company receives cash in respect of the premiums or claims, at which time a corresponding liability is established in favour of the insurer or cedant, unless the cash is held in trust for the benefit of the insurer or cedant, in which case neither the cash nor the corresponding liability is reflected in the Company's financial statements.

## AZUR UNDERWRITING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

#### 2. Summary of significant accounting policies (continued)

##### Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

##### Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method.

##### Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services, and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

##### **Share capital**

Ordinary shares are classified as equity.

##### **Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case the tax is also recognised directly in Other Comprehensive Income or directly in equity, as appropriate.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

## AZUR UNDERWRITING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

#### 2. Summary of significant accounting policies (continued)

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted, or substantially enacted, by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the taxable company or different taxable companies within the Group where there is an intention to settle the balances on a net basis.

#### ***Employee benefits***

##### *Pension obligations*

The Company operates defined contribution pension plans.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions where the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

##### *Bonus plans*

The Company recognises a liability and an expense for bonuses where contractually obliged, or where there is a past practice that has created a constructive obligation.

##### *Share-based payments*

Share options in the ultimate parent undertaking are granted to Directors and selected employees. Options are conditional on the employee completing 3 years' service (the vesting period). One third of the options are exercisable at the end of each year of the vesting period. The Parent Company has no legal or constructive obligation to repurchase or settle the options in cash. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense and the corresponding entry treated as a capital contribution in other reserves. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability or sales growth targets, or remaining an employee of the entity over a specified time period); and

## AZUR UNDERWRITING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

#### 2. Summary of significant accounting policies (continued)

- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

Detailed disclosures regarding the valuation basis are made in the financial statements of the ultimate parent undertaking, Azur Group Holdings Limited.

#### **Provisions**

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of discounts, returns and Value-Added Taxes.

Revenue represents brokerage and fees, net of commissions payable, arising from the provision of insurance intermediation services to specialised sectors within the United Kingdom and overseas.

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 insurance intermediation 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 constitute obligations of the Company under those contracts.

Fees, recharges and other income receivable are recognised in the period to which they relate.

#### **Other income**

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 basis that reflects the level of uncertainty involved.

#### **Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.



# AZUR UNDERWRITING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

### 2. Summary of significant accounting policies (continued)

#### *Dividend Distribution*

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

### 3. Financial risk management

#### *Financial risk factors*

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, foreign exchange risk and interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is performed by the Board of Directors through its sub-committee the Group Risk Committee, which is responsible for the identification, evaluation and hedging of financial risks. The Committee provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and the investment of surplus liquidity.

#### Credit risk

Credit risk arises from cash and cash equivalents and deposits maintained with banks and financial institutions, as well as credit exposures to insurance intermediaries and insured customers, including outstanding receivables and committed transactions. If insurance intermediaries are independently rated, these ratings are used. If there is no independent rating, the Finance Department assesses the credit quality of the intermediary, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.

Management does not expect any losses from non-performance by these counterparties.

#### Liquidity risk

Cash flow forecasting is performed at both a Company and a Group level, and aggregated by the Finance Department. The Department monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration debt financing plans, covenant compliance, compliance with internal Statement of Financial Position ratio targets, and external regulatory or legal requirements.

The table below analyses the Company's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings, based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>At 31 December 2018</b>				
Trade and other payables	<u>£ 534,972</u>	<u>£ -</u>	<u>£ -</u>	<u>£ -</u>
<b>At 31 December 2017</b>				
Trade and other payables	<u>£ 397,636</u>	<u>£ -</u>	<u>£ -</u>	<u>£ -</u>

## AZUR UNDERWRITING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

#### 3. Financial risk management (continued)

##### Foreign exchange risk

Foreign exchange risk arises from adverse movements in currency exchange rates.

The Company, which has as its functional currency Pounds Sterling, was exposed to minimal levels of foreign exchange risk during the period as its revenues, recharges and material expenditure were predominantly denominated in Pounds Sterling and Euros.

##### Interest rate risk

Interest rate risk arises from increases in market interest rates and arises primarily from the bank overdrafts which may potentially be held by the Company.

The Company manages its exposure to interest rate risk by regularly monitoring interest rates and minimising the balance of bank overdrafts.

#### 4. Critical accounting estimates and judgements

Estimates and judgments are continually evaluated, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### Profit commission

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.

##### Post-placement services provision

The Company has an obligation to provide services following the placement of insurance policies under certain contracts to facilitate the claims handling process between the insurer and insured. In order to recognise the post-placement obligation an amount of income is deferred. The amount of income to defer is estimated by management after taking into account factors such as the number, size and complexity of claims received and their anticipated cost base. The assumptions reflect historical experience, current trends and management's best estimate.

# AZUR UNDERWRITING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

### 5. Revenue

The Company derives its revenue from the provision of insurance intermediation services to specialised sectors within the United Kingdom and overseas. An analysis of revenue derived by the Company is as follows:

	2018 £	2017 £
Income from insurance intermediation:		
- Brokerage	3,958,888	3,239,150
- Marketing contributions paid to brokers	(16,466)	(4,151)
	<u>£ 3,942,422</u>	<u>£ 3,234,999</u>

### 6. Other income

	2018	2017
Profit commission	<u>£ 396,723</u>	<u>£ 324,971</u>

On 11 April 2019 profit commission of £396,723 (2017: £324,971) for the period 1 January 2018 to 31 December 2018 was received.

### 7. Operating profit on ordinary activities before income tax

The following items have been included in arriving at the operating profit for the year:

	2018	2017
Auditor remuneration (Note 8)	<u>£ 7,500</u>	<u>£ 9,750</u>

### 8. Auditor remuneration

During the year, the Company obtained the following services from the Company's auditor and its associates:

	2018	2017
Fees payable to the Company's auditor and its associates for the audit of the financial statements	<u>£ 7,500</u>	<u>£ 9,750</u>

**AZUR UNDERWRITING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2018**

**9. Information regarding employees**

<b>Employee expense</b>	<b>2018 £</b>	<b>2017 £</b>
Wages and salaries	1,219,930	1,123,277
Share options granted to Directors and employees (Note 25)	50,850	20,414
Social security costs	149,107	146,016
Pension costs	100,842	92,160
Other staff costs	57,114	53,235
<b>Total employee expense</b>	<b>£ 1,577,843</b>	<b>£ 1,435,102</b>

The Company operates defined contribution pension plans. The total expense relating to these plans in the current financial year was £100,842 (2017: £92,160).

<b>Average number of people employed</b>	<b>2018</b>	<b>2017</b>
Average number of people (including executive Directors) employed:		
- Underwriting	19	17

**10. Income tax charge**

	<b>2018 £</b>	<b>2017 £</b>
<b>Current tax:</b>		
Current tax on profit for the year	36,335	-
Adjustments in respect of prior years	32,399	-
<b>Total current tax</b>	<b>68,734</b>	-
<b>Deferred tax (Note 13):</b>		
Origination and reversal of temporary differences	1,176	17,027
<b>Total deferred tax</b>	<b>1,176</b>	<b>17,027</b>
<b>Income tax charge</b>	<b>£ 69,910</b>	<b>£ 17,027</b>

# AZUR UNDERWRITING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

### 10. Income tax (continued)

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profits of the Company, as follows:

	2018 £	2017 £
Operating profit before tax	<u>816,496</u>	<u>921,965</u>
Tax calculated at standard rate of corporation tax in the UK for the year of 19% (2017: 19.25%)	155,134	177,446
Tax effects of:		
- Expenses not deductible for tax purposes	17,280	7,722
- Group relief claimed for no charge	(134,764)	(165,892)
- Adjustments to tax charge in respect of prior periods	32,399	-
- Re-measurement of deferred tax due to change in the UK tax rate	<u>(139)</u>	<u>(2,249)</u>
<b>Income tax charge</b>	<u><b>£ 69,910</b></u>	<u><b>£ 17,027</b></u>

From 1 April 2020 the main rate of corporation tax in the United Kingdom is expected to be 17%.

### 11. Dividends

	2018	2017
Amount recognised as distributions to the shareholder in the period	<u>£ 500,000</u>	<u>-</u>

An interim dividend of £4.00 per ordinary share (2017: nil) was declared on 26 October 2018 and paid on 22 November 2018.

**AZUR UNDERWRITING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2018

**12. Financial instruments by category**

	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>Loans and receivables</b>	<b>Loans and receivables</b>
	<b>£</b>	<b>£</b>
<b>Assets per Statement of Financial Position</b>		
Trade and other receivables, excluding prepayments and accrued income	637,767	753,117
Cash and cash equivalents	816,100	284,716
<b>Total</b>	<b><u>1,453,867</u></b>	<b><u>1,037,833</u></b>
	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>Other financial liabilities at amortised cost</b>	<b>Other financial liabilities at amortised cost</b>
<b>Liabilities per Statement of Financial Position</b>		
Trade and other payables, excluding statutory liabilities	£534,972	£ 397,636

**13. Deferred tax**

The analysis of deferred tax assets and liabilities is as follows:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Current tax asset</b>	<u>-</u>	<u>£ 1,176</u>

The gross movement on the deferred income tax account is as follows:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
At 1 January 2018	1,176	18,203
Charge to profit or loss (Note 10)	<u>(1,176)</u>	<u>(17,027)</u>
<b>At 31 December 2018</b>	<b><u>-</u></b>	<b><u>£ 1,176</u></b>

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

**AZUR UNDERWRITING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2018**

**14. Trade and other receivables**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Trade debtors	622,637	716,833
Prepayments and accrued income	467,802	410,496
Other debtors	15,130	36,284
	<u><b>£ 1,105,569</b></u>	<u><b>£ 1,163,613</b></u>

**15. Cash and cash equivalents**

	<b>2018</b>	<b>2017</b>
	<b>£ 816,100</b>	<b>£ 284,716</b>
Cash at bank and in hand	<u><b>£ 816,100</b></u>	<u><b>£ 284,716</b></u>

Cash and cash equivalents include the following for the purposes of the Statement of Cash Flows:

	<b>2018</b>	<b>2017</b>
	<b>£ 816,100</b>	<b>£ 284,716</b>
Cash and cash equivalents	<u><b>£ 816,100</b></u>	<u><b>£ 284,716</b></u>

**16. Share capital**

	<b>Number of shares</b>	<b>Ordinary shares £</b>
At 1 January 2018	<u>125,000</u>	<u>125,000</u>
<b>At 31 December 2018</b>	<u><b>125,000</b></u>	<u><b>£ 125,000</b></u>

The total number of ordinary shares is 125,000 with a par value of £1 per share. All issued shares are fully paid. Each ordinary share has full rights in the Company with respect to voting, dividends and distributions.

1,000 shares were issued at the date of incorporation. A further 74,000 and 50,000 shares were issued on 17 February 2017 and 8 September 2017, respectively, in settlement of amounts outstanding to the Parent Company.

**17. Other reserves**

	<b>Shares to be issued £</b>
At 1 January 2018	21,005
Capital contribution in respect of share options granted in the Parent Company (Note 25)	<u>50,850</u>
<b>At 31 December 2018</b>	<u><b>£ 71,855</b></u>

# AZUR UNDERWRITING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

### 18. Retained earnings

	2018 £
At 1 January 2018	803,122
Profit for the year	746,586
Dividend (Note 11)	(500,000)
<b>At 31 December 2018</b>	<b><u>£ 1,049,708</u></b>

### 19. Trade and other payables

	2018 £	2017 £
Trade payables	19,664	33,157
Amounts due to related parties (Note 24)	226,769	145,706
Social security and other taxes	-	36,542
Accrued expenses	288,539	218,773
	<b><u>£ 534,972</u></b>	<b><u>£ 434,178</u></b>

### 20. Provisions for other liabilities and charges

	2018 £
Post placement claims handling services:	
At 1 January 2018	66,200
Charged to income statement:	5,200
<b>At 31 December 2018</b>	<b><u>£ 71,400</u></b>

### 21. Cash generated from/(absorbed by) operations

	2018 £	2017 £
Profit before income tax	816,496	921,965
Adjustments for:		
- Share-based payments	50,850	20,414
- Decrease/(Increase) in trade and other receivables	58,044	(410,776)
- Increase/(Decrease) in trade and other payables	100,794	(838,327)
- Increase in provisions	5,200	40,442
<b>Cash generated from/(absorbed by) operations</b>	<b><u>£ 1,031,384</u></b>	<b><u>£ (266,282)</u></b>

### 22. Ultimate Parent Company

The Company is a 100% subsidiary undertaking of Azur Group Holdings Limited, a company owned by a number of private and corporate shareholders which has no ultimate controlling party.



# AZUR UNDERWRITING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

### 23. Commitments

#### Operating lease commitments – company as lessee

All company car leases were cancelled in January 2019, following termination of the company car scheme.

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

	2018	2017
No later than 1 year	-	£ 12,970

### 24. Related parties

The following transactions were carried out with related parties.

#### Trading with related parties

Under the terms of a Managing General Agency Agreement ("MGAA") dated 28th June 2016, the Company was appointed by AIG Europe Ltd to act as its agent to administer its UK private client business, to effect renewals of that business, and to make arrangements for the provision and administration of certain new insurance business. AIG Europe Ltd is a subsidiary of a significant shareholder in the Parent Company.

In order to support the services that the Company has agreed to undertake under the MGAA, AIG Europe Ltd provides certain IT and insurance operations services to the Company under the terms of a Transitional Services Agreement ("TSA") dated 1 September 2016. The fee payable under the TSA for the provision of services by AIG Europe Ltd is £1.

During the year 99.9% (2017: 100%) of insurance business transacted by the Company was underwritten by AIG Europe Limited, with the residual 0.1% underwritten by Ensurance UK Ltd. The Company earned £3,942,422 (2017: £3,234,999) of commissions and £396,723 (2017: £324,971) of profit commission on these transactions of which £622,637 (2017: £716,833) of commissions and all the profit commission were outstanding at the year end.

As part of its Brexit preparedness, AIG effected a Part VII transfer of its business from AIG Europe Ltd to two newly established companies, AIG Europe SA (which underwrites EEA risks) and American International Group UK Ltd (which underwrites UK risks) and AIG Europe Ltd ceased trading.

#### Advances and services from related parties

During the period the Company was charged £943,798 (2017: £484,448) for the provision of insurance accounting & settlement, financial and management accounting, HR, Compliance and claims handling services by the affiliated company, Azuru Services Limited. Following the transfer of the Data Analytics department (effective 1 January 2018) to the sister company, Aztech Advantage Limited, the Company was also charged £240,549 (2017: nil) during the period for provision of data analysis services.

£226,769 was outstanding as at 31 December 2018 (2017: £145,706) in respect of these intercompany recharges. This amount was cash settled on 22 January 2019.

# AZUR UNDERWRITING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

### 24. Related parties (continued)

#### Key management compensation

Key management includes Directors only. The compensation paid or payable to key management for employee services to the Company is as follows:

	2018 £	2017 £
Salaries and other short-term employee benefits	713,658	703,556
Post-employment benefits	44,866	39,757
	<b>£ 758,524</b>	<b>£ 743,313</b>

The highest-paid Director received emoluments of £183,674 (2017: £187,784) and pension contributions of £8,312 (2017: £8,000).

### 25. Share-based payments

A number of the Company's employees participate in share-based awards which will be satisfied by the delivery of the equity of the Company's Parent Company, Azur Group Holdings Limited. These awards are granted by the Parent Company and, therefore, in accordance with *IFRS 2 Share-based Payment*, are accounted for as equity-settled awards in the financial statements of the Company.

The following share-based payment arrangements were in existence during the current and prior years:

Scheme	Number of recipients	Optioned shares	Grant date	Expiry date	Exercise price £	Fair value at grant date £
Azur Group EMI Option Plan 2016:						
- 2016 grants	5	73,000	15/12/16	14/12/26	0.041	0.160
- 2017 grants	6	24,500	31/05/17	30/05/27	0.130	1.690
- 2018 grants	4	11,500	06/04/18	05/04/28	0.260	5.330

# AZUR UNDERWRITING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

### 25. Share-based payments (continued)

Details of the movement in the Azur Group EMI Option Plan 2016 awards during the period are as follows:

	Number of recipients	Optioned shares	Weighted average exercise price £
Outstanding at 1 January 2017	11	97,500	0.063
Granted during the period	4	11,500	0.260
Exercised during the period	-	-	-
Lapsed during the period	-	-	-
	<u>12</u>	<u>109,000</u>	<u>0.084</u>
Outstanding at the end of the year	<u>12</u>	<u>109,000</u>	<u>0.084</u>
Exercisable at the end of the year	<u>11</u>	<u>56,333</u>	<u>0.054</u>

No options were exercised during the year (2017: nil).

Of the 109,000 options outstanding, 56,333 (2017: 24,333) were exercisable at the reporting date.

	2018	2017
Total share based payment expense recognised	<u>£ 50,850</u>	<u>£ 20,414</u>

Following the occurrence of a "disqualifying event", which was as an unintended consequence of the Parent Company's capital reorganisation in September 2018, whereby the existing classes of A Ordinary Shares of £0.001 each and B Ordinary Shares of £0.001 each were simultaneously converted into a single class of ordinary shares of £0.001 each, recipients of grants under the Azur Group EMI Option Plan 2016 were invited to surrender their options in whole for no consideration, consistent with the loss of the EMI tax advantaged status of the options.

All employees elected to surrender their options and duly did so on 9 August 2019.

On 10 September 2019 an employee benefit trust known as the Azur Group Employee Benefit Trust (the "Trust") was established and Estera Trust (Jersey) Limited (the "Trustee") was appointed as the initial corporate trustee of the Trust.

On the same day a new Enterprise Management Incentive Plan ("Enterprise Management Incentive Plan 2019") and set of associated rules was adopted by the Parent Company for the purpose of granting options to acquire shares in the Parent Company to qualifying employees of the Company as determined by the Remuneration Committee from time to time.

On 16 September 2019 a Deed of Grant was executed by the Parent Company granting options under the Enterprise Management Incentive Plan to 16 employees over 204,500 ordinary shares of £0.001 each in the Parent Company at an option price of 25.8 pence.

## AZUR UNDERWRITING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

#### **26. Events after the reporting period**

On 13 February 2019 the newly incorporated fellow subsidiary company, Azur UW Finance (Ireland) Limited, submitted an application to the Central Bank of Ireland seeking authorisation as a Retail Intermediary under the European Union (Insurance Distribution) Regulations 2018 as part of the Azur Group's preparedness for Brexit and the loss of the passporting rights currently utilised by the company.

On 11 April 2019 the Company received profit commission in the amount of £396,723 for the period 1 January 2018 to 31 December 2018.