

ANNUAL REPORT AND FINANCIAL STATEMENTS

2021

FOR THE YEAR ENDED 31 DECEMBER 2021

AZUR GROUP LIMITED

Registered number: 09938215

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AZUR GROUP LIMITED

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AZUR GROUP LIMITED
COMPANY INFORMATION

Directors

Ms JH Arthur
Mr CJ Blackburn
Mr AL Brooks
Mr AD Burk
Mr GA Elliott
Mr DQ Henriques
Mr BD Rugge-Price
Ms KV Wells

Company Secretary

Vistra Company Secretaries Limited

Company Number

09938215

Business Address

Linen Court
10 East Road
London
N1 6AD

Registered Address

First Floor
Templeback
10 Temple Back
Bristol
England
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 GROUP LIMITED

STRATEGIC REPORT

The Directors present their Strategic Report on the Group for the year ended 31 December 2021. The Strategic Report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Azur Group Limited (the "Company") and its subsidiary undertakings (together the "Group") when viewed as a whole.

Report of the business

The Company changed its name from Azur Group Holdings Limited on 9 March 2021.

Review of the business

As an InsurTech group, Azur provides insurance intermediation and technology services to the insurance industry.

The Company is the parent company of the Group which currently comprises of the operating companies Azur Underwriting Limited, an FCA regulated insurance intermediary, Azur Underwriting (Ireland) Limited, a Central Bank of Ireland regulated insurance intermediary and Aztech Advantage Limited, which provides technology solutions to the insurance industry.

The Group also includes Broker iQ Limited and CyberGard Limited, two dormant name reservation companies, together with the dormant companies Azur Insurance Holdings Limited, the former intermediate parent company of Azur Underwriting Limited and Azur Underwriting Finance (Ireland) Limited, Azuru Services Limited, the former group service company, and Aztech Advantage (USA) Inc.

The Group generated a loss before tax of £2.31 million for the year, 61% (£3.49 million) lower than the previous year, reflecting a £2.16 million (29%) increase in revenues together with an 11 % (£1.37 million) reduction in Administrative Expenses.

The Group's technology services business enjoyed a 27% (£0.64 million) increase in revenues during the year to £3.03 million with additional digital insurance products launched in the US and the EU.

Insurance intermediation revenues increased by £1.54 million (31% increase) as the Group continued to expand its distribution and to launch new insurance products, utilising its digital broker hub and policy administration platform.

Key performance indicators

Having sufficient cash resource to satisfy the Group's financial obligation as and when they fall due is of the utmost importance. Thereafter, commensurate with the Group's objective to provide its shareholders 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 Group.

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.

AZUR GROUP LIMITED

STRATEGIC REPORT

Key performance indicators (continued)

The Group 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 declination rates etc. is likely to be prejudicial to the interests of the Group. Accordingly, the Directors limit disclosure of key performance indicators to the following:

	2021	2020
Revenue (£'000's)	9,601	7,444
Loss before tax (£'000's)	(2,316)	(5,815)
Revenue per employee (£'000's)	123	99
Number of complaints: ¹		
- Sales & service	8	5
- Claims handling	33	18
Average headcount	78	75
Cash and cash equivalents (£'000's)	1,099	2,033

Note 1 - The 41 complaints received, of which 20 were upheld, equate to 0.29% of written policies at the reporting date.

Capital structure

It is the Group'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 shareholder return, whilst at the same time satisfying financial covenants in bank credit facilities, as and when the Group sources such finance. The pre-breakeven status of the Group means that it remains reliant on existing shareholder support.

The Group currently finances its operations from the following sources:

- a) Equity; and
- b) Shareholder debt.

AZUR GROUP LIMITED

STRATEGIC REPORT

Capital structure (continued)

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

	31 December 2021 £'000
<u>Capitalisation and indebtedness</u>	
Secured	4,234
Unguaranteed/unsecured	546
Total current and non-current debt	4,780
 Share capital, share premium and own share reserve	 15,225
Other reserves	4,313
Retained earnings	(19,402)
Shareholders' equity	136
 <u>Net indebtedness / resources</u>	
Cash	1,099
Total liquidity	1,099
 Current bank debt	-
Other current financial debt ¹	(546)
Current financial indebtedness	(546)
 Net current financial liquidity	553
 Shareholder loans	(4,234)
Non-current financial indebtedness	(4,234)
 Net financial indebtedness	(3,681)

Notes

(1) The Group has current indirect indebtedness in the form of lease liabilities as at 31 December 2021

AZUR GROUP LIMITED

STRATEGIC REPORT

Principal risks and uncertainties

Risk management objectives and policies

The principal risks and uncertainties for the Group follow from the willingness of the insurance sector to distribute and underwrite the classes of risk in which the Group 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 Group. 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 Group, 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 Group is prepared to accept in order to deliver its business objectives and is regularly assessed.

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

Financial risks

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

Credit risk

Credit risk is the risk that the Group 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 new insurers and insurance intermediaries 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 and PaaS or SaaS services can be withdrawn for non-payment.

The Group aims to limit the amount of deposits and cash and cash equivalents it holds at any one bank or financial institution to 15% of its aggregate deposits and cash and cash equivalents. In addition to performing a credit assessment on the opening of new bank accounts, cash management platforms are used to diversify cash holdings to ensure that as large a percentage as practicable of aggregate cash balances enjoy full UK Financial Services Compensation Scheme or EU Deposit Guarantee Scheme protection.

Liquidity risk

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

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

AZUR GROUP LIMITED

STRATEGIC REPORT

Principal risks and uncertainties (continued)

Interest rate risk

Interest rate risk is the risk of adverse changes (effectively increases) in market interest rates and, with the cumulative redeemable preference shares on a fixed-interest basis, arises primarily from the £2.75 million 3-year term loan and could potentially also arise from the use of bank overdrafts.

The Group manages its exposure to this risk by regularly monitoring interest rates (which have recently been at historic lows) and avoiding the use of bank overdrafts.

Non-financial risks

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

Reputational risk

Reputational risk is the risk that the Group or a Group 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 Group 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.

The Directors recognise that the success of the Group 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 Group 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 whistleblowing. As a digitally-enabled business, the Group supports remote, cloud-based, working practices as part of its standard operating model.

Future developments

On 2 August 2022, group subsidiary Azur Underwriting Limited signed an Asset Purchase Agreement (the 'agreement') with Azur Underwriting Ireland Limited, Aviva Insurance Limited and Aviva Insurance Ireland DAC for the sale of its UK and Irish insurance business, inclusive of the policyholder renewal rights, goodwill, intellectual property rights and IT systems.

As per the Asset Purchase Agreement completion will take place on the 31 March 2023 at which time Azur Underwriting Limited will receive proceeds relating to the transaction. Between exchange and completion the Company will be subject to certain pre-completion undertakings.

The Group intends to continue to expand its technology business in the forthcoming year consistent with the growth in the number of pipeline development projects, together with assisting American International Group UK Limited with the orderly wind down of its UK insurance business following the commencement of a Run-Off period.

Details of other significant events since the balance sheet date are contained in Note 32 to the financial statements.

AZUR GROUP LIMITED

STRATEGIC REPORT

Going concern

The board of directors have considered the financial position of the Group and the Company as at 31 December, 2021 and the projected cash flows and financial performance of the Group and the Company for at least twelve months from the date of approval of these financial statements. The board of directors have taken actions to ensure that appropriate long-term cash resources are in place at the date of signing the accounts to fund the Group's and the Company's operations. Accordingly, the financial statements have been prepared on a Going Concern Basis

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
16 December 2022

AZUR GROUP LIMITED

DIRECTORS' REPORT

The Directors present their report on the affairs of the Group, together with the audited financial statements for the year ended 31 December 2021.

General information

Azur Group Limited (formerly Azur Group Holdings Limited) is a private company limited by shares, incorporated in the United Kingdom. The Company's registered address is First Floor, Templeback, 10 Temple Back, Bristol, England, BS1 6FL and its principal place of business is Linen Court, 10 East Road, London, N1 6AD.

There is no ultimate controlling party as the Company is owned by a number of corporate and private individual shareholders, none of whom have a controlling interest.

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 do not propose the payment of a dividend for the year (2020: £nil).

Political and charitable donations

During the year no political donations were made by the Group. Charitable donations amounted to £5,452 (2020: £2,560)

Disabled persons

It is the Group'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 Group who become disabled to continue in their employment or to be retrained for other positions in the Group.

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

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

AZUR GROUP LIMITED

DIRECTORS' REPORT

Directors

The Directors of the Company during the year ended 31 December 2021, 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	6 January 2016	-
Mr CJ Blackburn	1 April 2016	-
Mr I Pettifor	1 April 2016	1 May 2022
Mr DQ Henriques	26 May 2017	-
Ms KV Wells	24 September 2018	-
Ms JH Arthur (Non-Executive)	10 May 2016	-
Mr AL Brooks (Non-Executive)	10 May 2016	-
Mr RP Little (Non-Executive)	24 September 2018	25 October 2022
Mr IT Robinson (Non-Executive)	1 December 2018	03 February 2021
Mr BD Rugge-Price (Non-Executive)	24 September 2018	-
Mr AD Burk (Non-Executive)	03 February 2021	-

The Directors have no interests in the shares of any subsidiary undertaking of the Group. The interests of the Directors in the allotted share capital of the Company at the beginning and end of the financial period were as follows:

<u>Director</u>	<u>Class of share</u>	<u>Number of shares</u>	
		<u>1 January 2021</u>	<u>31 December 2021</u>
GA Elliott	Ordinary Shares of £0.001 each	1,052,995	1,052,995
CJ Blackburn	Ordinary Shares of £0.001 each	59,734	59,734
I Pettifor	Ordinary Shares of £0.001 each	57,545	57,545
RP Little	Ordinary Shares of £0.001 each	219,344	219,344

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.

AZUR GROUP LIMITED

DIRECTORS' REPORT

Auditor

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

This report was approved by the Board on 16 December 2022 and signed on its behalf by



Graham Elliott
Director

16 December 2022

AZUR GROUP 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 year. Under that law the Directors have elected to prepare the Group and Parent Company financial statements in accordance with UK-adopted international accounting standards. 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 Group and Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and 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 Group and 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 Group and 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 GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Opinion

We have audited the financial statements of Azur Group Limited (the 'parent company') and its subsidiaries (the "group") for the year ended 31 December 2021 which comprise the Group Statement of Comprehensive Income, the Group and Company Statements of Financial Position, the Group and Company Statements of Changes in Equity, the Group and Company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent company's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; 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 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

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

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 or 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.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 contained within the annual report. Our opinion on the group and parent company 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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:

AZUR GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 and parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- We obtained an understanding of the Group and Parent Company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussion with management, the application of cumulative audit knowledge and experience of the insurance market and the other sectors in which the group operates.
- We determined the principal laws and regulations relevant to the Group and Parent Company in this regard to be those arising from the Financial Conduct Authority and regulations that have a direct impact on the preparation of financial statements, such as the Companies Act 2006 and UK tax legislation.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the company with those laws and regulations. These procedures included, but were not limited to:
 - Review of any legal expenses incurred in the year.

AZUR GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

-
- Review of Board minutes and subsequent discussions with management on any pertinent matters noted.
 - Review of compliance reports
 - Review of any legal and regulatory correspondence in the period.
 - We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, the risk of material misstatement due to fraud related to revenue recognition.
 - We addressed the risk of material misstatement arising from revenue recognition by performing walkthroughs on significant income streams to assess the design and implementation of key controls, performing substantive transactional testing of material revenue line items, reviewing revenue transactions recorded shortly before and after 31 December 2021 to ensure revenue has allocated to the correct accounting period.
 - As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

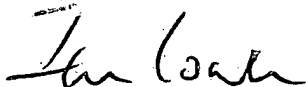
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

AZUR GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

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.



Ian Cowan (Senior Statutory Auditor)

For and on behalf of

PKF Littlejohn LLP
Statutory Auditor
19 December 2022

AZUR GROUP LIMITED
GROUP STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2021

	Note	2021 £	2020 £
Profit/(Loss) from Operations			
Revenue	5	9,601,545	7,444,224
Gross Profit		9,601,545	7,444,224
Administrative expenses		(11,185,551)	(12,560,992)
Operating Loss		(1,584,006)	(5,116,768)
Finance income	9	5,265	9,899
Finance costs	10	(737,871)	(708,133)
Loss on Ordinary Activities before Income Tax		(2,316,612)	(5,815,002)
Income tax credit	12	1,256,701	1,343,094
Loss on Ordinary Activities for the Period		(1,059,911)	(4,471,908)
Total Comprehensive Profit / (Loss) for the Period		£ (1,059,911)	£ (4,471,908)

The accounting policies and notes on pages 24 to 58 form part of these financial statements.

A Company Statement of Comprehensive Income is not presented in accordance with the exemption afforded by Section 408 of the Companies Act 2006.

The loss for the Company for the year was £10,259,868 (2020: £2,640,983).

AZUR GROUP LIMITED
GROUP STATEMENT OF FINANCIAL POSITION
for the year ended 31 December 2021

	Note	2021 £	2020 £
Assets			
Non-current Assets			
Property, plant and equipment	13	482,799	1,063,355
Other loans and receivables	24	229,500	229,500
Deferred tax	27	4,265,587	3,008,886
		4,977,886	4,301,741
Current Assets			
Trade and other receivables	15	2,692,226	2,429,617
Cash and cash equivalents	16	1,099,103	2,033,251
		3,791,329	4,462,868
Total Assets		£ 8,769,215	£ 8,737,059
Equity and Liabilities			
Equity Attributable to Shareholders			
Share capital	17	7,057	7,010
Share premium	17	15,471,947	15,461,569
Own share reserve	17	(253,637)	(255,423)
Other reserves	18	4,312,788	3,282,298
Retained earnings	19	(19,402,382)	(18,342,471)
Total Equity		135,773	152,983
Liabilities			
Non-current Liabilities			
Borrowings	21	4,234,279	3,970,156
Lease liabilities	23	-	546,455
Other financial liabilities	22	529,695	529,459
		4,763,974	5,046,070
Current Liabilities			
Trade and other payables	25	3,204,322	2,758,973
Lease liabilities	23	546,455	550,769
Borrowings	21	-	123,735
Provisions for other liabilities and charges	26	118,691	132,079
		3,869,468	3,565,556
Total Liabilities		8,633,442	8,611,626
Total Equity and Liabilities		£ 8,769,215	£ 8,764,609

The accounting policies and notes on pages 24 to 58 form part of these financial statements.
The financial statements were approved and authorised for issue by the Board of Directors on 16 December 2022, and were signed on its behalf by:



Charles Blackburn
Director
Company number 09938215

AZUR GROUP LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
for the year ended 31 December 2021

	Note	2021 £	2020 £
Assets			
Non-current Assets			
Property, plant and equipment	13	482,799	-
Investments	11	2,923,864	3,956,958
Other loans and receivables	24	6,173,779	16,380,205
Deferred tax	27	<u>2,945,665</u>	<u>527,027</u>
		12,526,107	20,864,190
Current Assets			
Trade and other receivables	15	1,165,400	471,940
Cash and cash equivalents	16	<u>51,799</u>	<u>6,961</u>
		1,217,199	478,901
Total Assets		<u>£ 13,743,306</u>	<u>£ 21,343,091</u>
Equity and Liabilities			
Equity Attributable to Shareholders			
Share capital	17	7,057	7,010
Share premium	17	15,471,947	15,461,569
Own share reserve	17	(253,637)	(255,423)
Other reserves	18	4,311,315	3,282,298
Retained earnings	19	<u>(12,802,930)</u>	<u>(2,543,062)</u>
Total Equity		<u>6,733,752</u>	<u>15,952,392</u>
Liabilities			
Non-current Liabilities			
Borrowings	21	4,234,279	3,970,156
Other financial liabilities	22	<u>529,695</u>	<u>529,459</u>
		4,763,974	4,499,615
Current Liabilities			
Trade and other payables	25	1,699,125	891,084
Lease liabilities	23	<u>546,455</u>	<u>-</u>
		2,245,580	891,084
Total Liabilities		<u>7,009,554</u>	<u>5,390,699</u>
Total Equity and Liabilities		<u>£ 13,743,306</u>	<u>£ 21,343,091</u>

The accounting policies and notes on pages 24 to 58 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 16 December 2022 and were signed on its behalf by:



Charles Blackburn
Director
Company number 09938215

AZUR GROUP LIMITED
GROUP STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2021

	Note	Attributable to Equity Shareholders of the Group					Total £
		Share capital £	Share premium £	Own share reserve £	Other reserves £	Retained earnings £	
Balance as at 1 January 2021		7,010	15,461,569	(255,423)	3,282,298	(18,342,471)	152,983
Loss for the period		-	-	-	-	(1,059,911)	(1,059,911)
Total Comprehensive Income		-	-	-	-	(1,059,911)	(1,059,911)
Transactions with Owners							
Proceeds from shares issued	17	47	10,378	(10,425)	-	-	-
Shares to be issued – employee share schemes	18	-	-	-	853,091	-	853,091
Delivery of shares held by EBT to employees after option exercise		-	-	12,211	-	-	12,211
Shares to be issued – warrant embedded in term loan	18	-	-	-	175,926	-	175,926
Currency translation reserve created during the year	18	-	-	-	1,473	-	1,473
Total Transactions with Owners Recognised Directly in Equity		47	10,378	1,786	1,030,490	-	1,042,701
Balance as at 31 December 2021		£ 7,057	£ 15,41,947	£ (253,637)	£ 4,312,788	£ (19,402,382)	£ 135,773

	Note	Share capital £	Share premium £	Own share reserve £	Other reserves £	Retained earnings £	Total £
Balance as at 1 January 2020		6,600	14,113,724	(233,490)	1,750,170	(13,870,563)	1,766,441
Loss for the period		-	-	-	-	(4,471,908)	(4,471,908)
Other Comprehensive Income		-	-	-	-	-	-
Total Comprehensive Income		-	-	-	-	(4,471,908)	(4,471,908)
Transactions with Owners							
Proceeds from shares issued	410	1,597,845	(22,374)	-	-	-	1,575,881
Shares to be issued – employee share schemes	-	-	-	-	1,355,158	-	1,355,158
Redeemable preference share adjustment	-	(250,000)	-	-	-	-	(250,000)
Shares to be issued – warrant embedded in term loan	-	-	-	-	176,970	-	176,970
Delivery of shares held by EBT to employee after option exercise	-	-	-	441	-	-	441
Total Transactions with Owners Recognised Directly in Equity	410	1,347,845	(21,933)	1,532,128	-	-	2,858,450
Balance as at 31 December 2020		£ 7,010	£ 15,461,569	£ (255,423)	£ 3,282,298	£ (18,342,471)	£ 152,983

The accounting policies and notes on pages 24 to 58 form part of these financial statements.

AZUR GROUP LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2021

	Note	Attributable to Equity Shareholders of the Company					Total £
		Share capital £	Share premium £	Own share reserve £	Other reserves £	Retained earnings £	
Balance as at 1 January 2021		7,010	15,461,569	(255,423)	3,282,298	(2,543,062)	15,952,392
Loss for the period		-	-	-	-	(10,259,868)	(10,259,868)
Other Comprehensive Income		-	-	-	-	-	-
Total Comprehensive Income		-	-	-	-	(10,259,868)	(10,259,868)
Transactions with Owners							
Proceeds from shares issued	18	47	10,378	(10,425)	-	-	-
Shares to be issued – employee share schemes	19	-	-	-	853,091	-	853,091
Delivery of shares held by EBT to employees after option exercise	18	-	-	12,211	-	-	12,211
Shares to be issued – warrant embedded in term loan	19	-	-	-	175,926	-	175,926
Total Transactions with Owners Recognised Directly in Equity		47	10,378	1,786	1,029,017	-	1,041,228
Balance as at 31 December 2021		£ 7,057	£ 15,471,947	£ (253,637)	£ 4,311,315	£ (12,802,930)	£ 6,733,752

	Note	Share capital £	Share premium £	Own share reserve £	Other reserves £	Retained earnings £	Total £
Balance as at 1 January 2020		6,600	14,113,724	(233,490)	1,750,170	97,921	15,734,925
Loss for the period		-	-	-	-	(2,640,983)	(2,640,983)
Other Comprehensive Income		-	-	-	-	-	-
Total Comprehensive Income		-	-	-	-	(2,640,983)	(2,640,983)
Transactions with Owners							
Proceeds from shares issued	410	1,597,845	(22,374)	-	-	-	1,575,881
Shares to be issued – employee share schemes	-	-	-	-	1,355,158	-	1,355,158
Redeemable preference share adjustment	-	(250,000)	-	-	-	-	(250,000)
Shares to be issued – warrant embedded in term loan	-	-	-	-	176,970	-	176,970
Delivery of shares held by EBT to employee after option exercise	-	-	441	-	-	-	441
Total Transactions with Owners Recognised Directly in Equity	410	1,347,845	(21,933)	1,532,128	-	-	2,858,450
Balance as at 31 December 2020		£ 7,010	£ 15,461,569	£ (255,423)	£ 3,282,298	£ (2,543,062)	£ 15,952,392

The accounting policies and notes on pages 24 to 58 form part of these financial statements.

AZUR GROUP LIMITED
GROUP STATEMENT OF CASH FLOWS
for the year ended 31 December 2021

	Note	2021 £	2020 £
Cash Flows from Operating Activities			
Cash absorbed by operations	29	(144,805)	(2,053,411)
Net Cash Absorbed by Operating Activities		(144,805)	(2,053,411)
 Cash Flows from Investing Activities			
Interest received		5,698	10,186
Purchases of property, plant and equipment	14	-	(21,959)
Net Cash Generated from/(Used in) Investing Activities		5,698	(11,773)
 Cash Flows from Financing Activities			
Proceeds from issuance of ordinary shares	18	12,211	1,576,322
Interest paid on shareholder loans	32	(251,755)	(75,823)
Interest paid other		(306)	(986)
Repayment of principal amount of lease	24	(550,769)	(435,463)
Payment of interest expense on lease liabilities	10	(128,187)	(113,778)
Shareholder loans drawn down, net of transaction costs	22	247,500	-
Other loans repaid	22	(123,735)	(126,673)
Net Cash (Used in)/Generated from Financing Activities		(795,041)	823,599
 Net Decrease in Cash, Cash Equivalents and Bank Overdrafts		(934,148)	(1,241,585)
Cash, cash equivalents at beginning of year	16	2,033,251	3,274,836
Cash and Cash Equivalents at End of Year	16	£ 1,099,103	£ 2,033,251

The accounting policies and notes on pages 24 to 58 form part of these financial statements.

AZUR GROUP LIMITED
COMPANY STATEMENT OF CASH FLOWS
for the year ended 31 December 2021

	Note	2021 £	2020 £
Cash Flows from Operating Activities			
Cash absorbed by operations	29	(1,402,914)	(3,524,480)
Net Cash Absorbed by Operating Activities		(1,402,914)	(3,524,480)
Cash Flows from Investing Activities			
Interest received		251,450	498,118
Loans repaid by/(advanced to) subsidiary undertakings	25	1,501,513	(1,490,281)
Cash acquired from subsidiary undertaking	31	89,704	-
Net Cash Generated from/(Used in) Investing Activities		1,842,667	(992,163)
Cash Flows from Financing Activities			
Proceeds from issuance of ordinary shares	18	12,211	1,576,322
Interest paid on shareholder loans	32	(251,755)	(75,823)
Interest paid other		(800)	-
Repayment of principal amount of lease	24	(337,187)	-
Payment of interest expense on lease liabilities	10	(64,884)	-
Shareholder loans drawn down, net of transaction costs	22	247,500	-
Net Cash (Used in)/Generated from Financing Activities		(349,915)	1,500,499
Net Increase/(Decrease) in Cash, Cash Equivalents and Bank Overdrafts		44,838	(3,016,144)
Cash, cash equivalents at beginning of year	16	6,961	3,023,105
Cash and Cash Equivalents at End of Year	16	£ 51,799	£ 6,961

The accounting policies and notes on pages 24 to 58 form part of these financial statements.

AZUR GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

1. General Information

Azur Group Limited (the "Company") is a private company limited by shares which is incorporated and domiciled in the UK. The Company changed its name from Azur Group Holdings Limited on 9 March 2021.

2. Summary of significant accounting policies

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

Basis of preparation

The consolidated financial statements of Azur Group Holdings Limited have been prepared in accordance with UK-adopted international accounting standards, and with the Companies Act 2006.

The consolidated financial statements have been prepared under the historical cost convention, as modified by (i) the revaluation of financial assets and financial liabilities at fair value through profit or loss and (ii) the measurement of assets classified as held for sale at the lower of their carrying amount and fair value less costs to sell.

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 Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Going concern

The Directors have developed a suite of financial and non-financial triggers, monitored and reassessed on a daily basis, which they believe enable them to closely monitor the economic environment and respond quickly to changed circumstances.

The Directors have a reasonable expectation that the Group has adequate resources to continue to meet its ongoing working capital requirements and expenditure commitments and support its growth aspirations for a period of at least 12 months from the date of approval of the financial statements and to continue in operational existence for the foreseeable future. The Group, therefore, continues to adopt the going concern basis in preparing its consolidated financial statements.

Further information on the Group's borrowing is given in Note 21 and Note 31.

Changes in accounting policies and disclosures

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

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- To require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- To permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- To provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

AZUR GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

Changes in accounting policies and disclosures (continued)

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.

The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Company has not received Covid-19-related rent concessions but plans to apply the practical expedient if it becomes applicable within the allowed period of application.

Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date that control passed.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Costs directly attributable to an acquisition that do not relate to the arranging and issuance of debt or equity instruments used to finance the acquisition are included in the initial measurement of the cost of the business combination. General administrative costs and those that cannot be directly attributed to a given acquisition are expensed as incurred. Equity arrangement and issuance costs are deducted from equity proceeds whilst debt arrangement and issuance costs are reflected in the initial measurement of the debt liability.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to Other Comprehensive Income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

All inter-company transactions, balances, income, expenses and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

AZUR GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

Foreign currency translation

Functional and presentation currency

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

Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Office equipment	-	3 years
IT & Communication equipment	-	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within Administrative Expenses in the income statement.

AZUR GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

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

Intangible assets

Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditure that does not meet these criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which do not exceed 4 years.

Financial assets

The Group 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 Group's objective for holding and managing the financial asset, together with the cash flow characteristics of the financial asset.

At initial recognition, the Group 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 Group measures its financial assets at amortised cost if both the following conditions are met:

- a) the financial asset is held within a business model whose objective is to hold financial assets in order 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.

Otherwise, the Group 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 contract 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 ("ECLs").

The Group employs a provision matrix using a combination of days past due and its historically observed credit loss experience over the life of the trade receivables, adjusted for forward-looking estimates to estimate lifetime ECLs. Where relevant, the Group segregates its trade receivables if its historical credit loss experience shows significantly different loss patterns for different customer segments.

The Group and the Company has not impaired any of its trade receivables. In coming to this conclusion the Directors determined that the historically observed credit loss experience over the life of the trade receivables was nil having adjusted for current economic conditions.

AZUR GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

Financial assets (continued)

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 Group or the counterparty.

Cash and cash equivalents

In the consolidated 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 subsidiary undertakings, Azur Underwriting Limited and Azur Underwriting (Ireland) Limited, act as agents in the placement of insurable risks on a risk-transfer basis on behalf of insurers and are 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 Group. 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 Group 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 Group's financial statements.

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.

Contract assets

Contract assets are amounts due from customers which, together with the concomitant revenue, are recognised when a contractual performance obligation has been satisfied (generally on transfer of goods or services to the customer) but the collection of cash from the customer remains outstanding and is conditional on a number of factors (not just the passage of time) which typically include the fulfilment of other performance obligations in the contract.

Contract assets are differentiated from trade receivables which represent an unconditional right to receive payment from the customer. The right to receive payment is unconditional if only the passage of time is required before payment is due. As such, a contract asset is not only subject to credit risk but also other risks, for example performance risk.

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

AZUR GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

Financial liabilities

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable 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.

Contract liabilities

A contract liability is an obligation to transfer goods or services to a customer for which payment has already been received, or is due, from the customer, and is recognised at the earlier of the time when the cash payment is received or falls due.

Contract liabilities are differentiated from trade payables which represent an unconditional obligation with no conditions (other than the passage of time) required to be satisfied before the amount is due to be paid.

Borrowings

Borrowings are recognised initially at cost, with transaction costs directly attributable to the loan issuance added to its cost. 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 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 Group or Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Other financial liabilities

An embedded derivative is separated from the host loan and accounted for as a derivative under IFRS 9 if (i) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host loan, (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and (iii) the hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss (i.e. a derivative that is embedded in a financial liability at fair value through profit or loss is not separated).

Trade finance

The subsidiary undertaking Aztech Advantage Limited ("Aztech") was advanced a trade finance loan of US \$350,000 on the signing of a Development, Servicing and Licencing Agreement with biBerk Insurance Services Inc. and BHHHC Specialty Risk, LLC (together "Berkshire Hathaway") in December 2017 to develop a proof-of-concept platform. A further US \$150,000 Operational Start Fee was advanced on the delivery date of the proof-of-concept platform. Effective from the commencement of operation in July 2018 a use-based service fee was paid by Berkshire Hathaway for Aztech's maintenance and operation of the platform. Berkshire Hathaway was only required to cash settle £0.50 of every £1.00 of the service fee due with the residual amount offset against the aggregate of the Initial Fee and Operational Start Fee. With effect from 1 December 2021, Berkshire Hathaway discontinued use of the platform and the residual balance of the loan in the amount of \$74,038 was recognised in income.

AZUR GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

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 Group's subsidiaries and associates operate and generate 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.

SME Research & Development tax credits ("R&D") received/receivable from HM Revenue & Customs do not constitute taxable income and are recorded in the Statement of Comprehensive Income as a credit to corporation tax.

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 liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for a deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Except where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised, the Group is unable to control the reversal of temporary differences for associates.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference 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 either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

AZUR GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

Employee benefits

Group companies operate various post-employment schemes, including defined contribution pension plans.

Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group 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 Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group 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 Group 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

The Company operates a number of equity-settled, share-based compensation plans, under which the Group receives services from employees of subsidiary undertakings as consideration for equity instruments (options) of the Company. Options are conditional on the employee completing 3 years' service (the vesting period). One third of the options are exercisable on a cliff-edge basis at the end of each year of the vesting period, subject to a 2-year service underpin. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

The fair value of the employee services received by subsidiary undertakings 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 in the subsidiary undertaking. The Company recognises the cost as an additional cost of investment in the subsidiary with a corresponding increase in shares to be issued. 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
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

At the end of each reporting period, the Group 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.

Shares to subsequently be used to satisfy the future exercise of employee share options granted by the Company are allotted to the Azur Group Employee Benefit Trust ("EBT") (following the agreement of the trustee Ocorian Limited, to subscribe for such shares) and held in trust for the benefit of employees. The proceeds, net of any directly attributable transaction costs, received from the EBT are credited to share capital (nominal value) and share premium. The purchase of shares by the EBT is funded by an interest-free loan from the Company. When options are exercised by employees, the EBT transfers ownership of the shares to the employee.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

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 an interest expense. Specific provisions are referred to in Note 4.

AZUR GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

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

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.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, and specific criteria have been met for each of the Group's activities, as described below.

The Group's revenue is derived from insurance intermediation and technology service activities.

Insurance intermediation

Revenue includes brokerage and fees, net of commissions payable, arising from the provision of insurance intermediation services to specialised sectors within the United Kingdom and overseas, together with the provision of insurance accounting & settlement and claims handling services to third-party insurers under negotiated Transitional Services Agreements.

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

Profit commission arising from the placement of insurance contracts or the exercise of an underwriting agency by a Group insurance intermediary is recognised when the right to such profit commission is established through a contract, but only to the extent that (i) a reliable estimate of the amount due can be made and (ii) it is highly probable that the amount recognised will not be subject to a significant reversal in the amount of the cumulative revenue recognised. Where it is no longer highly probable that the cumulative amount of the profit commission recognised will not be subject to significant reversal, the expected reversal (or "clawback") is recognised as a reduction in revenue and a contract liability is established.

Insurance accounting & settlement and claims handling fees are deferred and recognised throughout the life of the negotiated Transitional Service Agreement.

Technology services

Revenue includes the provision of technology services, under negotiated licence agreements, comprising demand generation Software as a Service ("SaaS") product and services and Platform as a Service ("PaaS") solutions to third-party insurers and insurance intermediaries.

PaaS use-based fees (aka as "PaaS Service Fees") are fees earned by the Group for the provision of the right to use and/or right to access its end-to-end underwriting platform, customised to meet a given insurer's specific insurance product and market requirements.

PaaS Service Fees compensate the Group for the management, operation, maintenance and generic enhancement of the customised underwriting platform. In consideration for the PaaS Service Fee, the Group grants non-exclusive licences to its customers over the term of their licence agreements. The Group's licence agreements are underpinned by Service Level Agreements ("SLAs") which regulate the quantum and quality of operational support for the platform and are agreed with the customer on inception of the contract.

Whilst the PaaS Service Fee is not contingent upon the Group operating in line with the SLA, it provides a clear summation of the Group's performance obligations.

SaaS fees are generally in the form of user-based licence fees for the provision of the right to use and/or access the Group's proprietary applications, including its demand generation, content marketing and CPD delivery platform, Broker IQ.

Platform Development Fees are generally non-recurring fees earned for the development or enhancement and subsequent delivery of the Group's end-to-end underwriting platform.

AZUR GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Development work is documented in a Statement of Work that sets out each aspect of the phased design, build and integration of distinct modules to meet the customer's specific insurance product and market requirements. The Group utilises an Agile development methodology structured around a two-weekly development cycle ("sprint").

Product Development Fee revenue is recognised when the Group's contractual right to a Platform Development Fee is established following satisfaction of the performance obligations set out in the Statement of Work.

Where key milestones and deliverables are set out in the Statement of Work, Product Development Fee revenue is recognised as those milestones are achieved and in accordance with the revenue recognition payment terms specified in the Statement of Work. In the absence of specific milestone events, Platform Development Fee revenue is recognised evenly over the anticipated development period, consistent with the two-weekly sprints inherent within an Agile development methodology and delivery of development work on a module-by-module basis.

Through to 30 November 2021, the Group had a trade finance loan with biBerk Insurance Services Inc. and BHHC Specialty Risk, LLC (together "Berkshire Hathaway") that represents an Initial Fee of USD \$350,000 advanced to the group undertaking Aztech Advantage Limited ("Aztech") on the signing of a Development, Servicing and Licencing Agreement to develop a proof-of-concept platform. A further USD \$150,000 Operational Start Fee was advanced on the delivery date of the proof-of-concept platform. Effective from the commencement of operation a use-based service fee was paid by Berkshire Hathaway for Aztech's maintenance and operation of the platform. Berkshire Hathaway was only required to pay £0.50 of every £1.00 of the service fee due with the residual offset against the aggregate of the Initial Fee and Operational Start Fee. The Group recognised the full value of the service fee as revenue on a monthly basis whilst the platform was in operation, in line with the fee being invoiced monthly in arrears.

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

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-to-use asset or the end of the lease term. The estimated useful lives of right-to-use assets are determined on the same basis as those of property and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of twelve months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

AZUR GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

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

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.

Foreign exchange risk

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

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

Interest rate risk

Interest rate risk arises from increases in market interest rates and, with the cumulative redeemable preference shares on a fixed-interest basis arises, primarily from the £2.5 million 3-year term loan and could potentially also arise from the use of bank overdrafts.

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

AZUR GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

3. Financial risk management (continued)

Financial risk factors (continued)

Liquidity risk

Cash flow forecasting is performed at both a Group and subsidiary undertaking level and aggregated by the Finance Department. The Department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's 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 Group'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
At 31 December 2021				
Borrowings	£ 2,734,379	£ -	£ -	£ 1,500,000
Trade and other payables ¹	£ 2,970,501	£ -	£ -	£ -
Lease liabilities	£ 546,455	£ -	£ -	£ -
At 31 December 2020				
Borrowings	£ 123,735	£ 2,470,156	£ -	£ 1,500,000
Trade and other payables ¹	£ 2,689,547	£ -	£ -	£ -
Lease liabilities	£ 550,769	£ 546,455	£ -	£ -

¹ Exclude statutory liabilities.

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 Group 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 Group is recognised when the right to such profit commission is established through a contract, but only to the extent that (i) a reliable estimate of the amount due can be made and (ii) it is highly probable that the amount recognised will not be subject to a significant reversal in the amount of the cumulative revenue recognised.

Under the terms of the Managing General Agency Agreement ("MGAA") entered into with American International Group Limited ("AIG UK") and AIG Europe SA ("AESAA") the subsidiary companies Azur Underwriting Limited ("Azur Underwriting UK") and Azur Underwriting (Ireland) Limited ("Azur Ireland") are entitled to a share of AIG UK's and AESAA's annual underwriting profit ("Profit Share"), respectively. The terms of each MGAA are such that (i) it may be terminated only by AIG UK or AESAA, except in the event of default or regulatory infraction and (ii) where an underwriting loss is determined for an underwriting year it shall be carried forward to the calculation of the underwriting profit for the subsequent underwriting year.

In the event of termination of the MGAA, should the Profit Share calculation for the final year produce a loss, Azur Underwriting UK or Azur Ireland shall repay to AIG UK or AESAA an amount equal to the loss, capped at a maximum of an amount equivalent to the two most recent Profit Share payments received under the respective MGAA.

AZUR GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

4. Critical accounting estimates and judgements (continued)

In light of the underwriting loss experienced in the underwriting year 2020, management believe that it is no longer highly probable that the cumulative amount of the profit commission recognised will not be subject to significant reversal at some point in the future. Cumulative profit commissions previously recognised in the amount of £762,249 were, therefore, reversed in that financial year and a contract liability established. In determining the amount of revenue to be reversed, management (i) have assumed that it is more probable than not that the MGAA may be terminated by AIG UK at some stage in the future, (ii) have not taken into consideration future underwriting profits or losses on basis that such profits or losses cannot be reliably estimated, and (iii) have recognised the maximum amount payable under the clawback arrangements in the event that the MGAA with AIG UK was to be terminated.

Post-placement services provision

The Group has an obligation to provide services following the placement of insurance policies under certain contracts to facilitate the claims 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.

Cancelled service premium provision

Where the PaaS Service Fee is determined with reference to premium processed, a provision is made to cover the risk of cancellation of an underlying serviced insurance policy and resultant return of a proportion of the PaaS Service Fee. Such provision is estimated based on the last twelve months' experience of cancelled premiums as a percentage of total serviced premiums. The cancellation percentage over the last twelve months is applied to the premium on risk at the period end and a provision derived using applicable contracted PaaS Service Fee rates.

5. Revenue

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

	2021 £	2020 £
Income from insurance intermediation:		
- Brokerage and fees	6,689,356	5,939,994
- Written premium volume contributions paid to brokers	(185,109)	(191,250)
- Profit commission	17,939	(762,249)
	<u>6,522,186</u>	<u>4,986,495</u>
Insurance accounting & settlement and claims handling fees	45,000	45,000
Income from technology services:		
- PaaS Development Fees	2,082,428	2,152,725
- PaaS Service Fees	951,931	232,674
- PaaS consultancy fees	-	8,100
	<u>3,034,359</u>	<u>2,393,499</u>
Miscellaneous Income	-	19,230
	<u>£ 9,601,545</u>	<u>£ 7,444,224</u>

An underwriting loss was recorded for the underwriting year 1 December 2019 to 30 November 2020 and cumulative profit commissions previously recognised in the amount of £762,249 were reversed (see Note 4).

AZUR GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

6. Operating loss

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

	2021 £	2020 £
Auditor remuneration (Note 7)	47,734	52,579
Depreciation (Note 13)	9,979	18,524
Depreciation right-of-use asset (Note 13)	570,576	486,502
Amortisation & impairment	-	286,453
FX losses	8,072	33,102

7. Auditor remuneration

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

	2021 £	2020 £
Fees payable to the Company's auditor and its associates for the audit of the Company and consolidated financial statements	16,000	11,500
Fees payable to the Company's auditor and its associates for other services:		
- Audit services to the Company's subsidiaries	20,700	28,500
- Additional fees payable for prior year audit services	-	6,885
	36,700	46,885
Fees payable to the separate auditor of the Company's Irish subsidiary for audit services	11,034	5,694
	£ 47, 734	£ 52,579

8. Information regarding employees

Employee expense

Group

	2021 £	2020 £
Wages and salaries	5,808,271	5,264,825
Share options granted to Directors and employees (Note 20)	853,091	1,355,158
Social security costs	735,121	697,439
Pension costs – defined contribution plans	308,003	284,025
Other staff costs	324,610	243,131
	£ 8,029,096	£ 7,844,578

AZUR GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

8. Information regarding employees (continued)

	2021	2020
<i>Average number of people employed</i>		
Group		
Average number of people (including executive Directors) employed:		
Underwriting	37	28
Technology services	20	23
Claims handling & insurance premium accounting & settlement	8	8
Administration	13	16
	<u>78</u>	<u>75</u>

Company

Following the TUPE transfer of staff from the subsidiary undertaking Azuru Services Limited on 1 June 2021, the average number of people employed by the Company during this period was 13 (2020: nil) all within Administration.

9. Finance income

	2021 £	2020 £
Interest on bank deposits	533	4,449
Interest on directors' loans (Note 31)	4,732	5,450
	<u>£ 5,265</u>	<u>£ 9,899</u>

10. Finance costs

	2021 £	2020 £
Interest expense:		
- Shareholder loan (Note 21)	266,828	255,828
- Lease interest expense (Note 23)	128,187	113,778
Preference shares 10% cumulative dividend (Note 21)	150,000	145,000
Amortisation of shareholder loan transaction costs	16,624	15,571
Amortisation of warrant shares (Note 22)	175,926	176,970
Other finance costs	306	986
	<u>£ 737,871</u>	<u>£ 708,133</u>

AZUR GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

11. Investments

Principal subsidiaries

Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares held directly by the Company (%)	Proportion of ordinary shares held by the Group (%)
Azur Underwriting Ltd	London, UK	Insurance intermediary	100%	100%
Azur Underwriting (Ireland) Ltd	Dublin, ROI	Insurance intermediary	100%	100%
Aztech Advantage Ltd	London, UK	Technology services	100%	100%
Azuru Services Ltd	London, UK	Dormant, former group service company	100%	100%
Azur Insurance Holdings Ltd	London, UK	Dormant, former intermediate holding company	100%	100%
Aztech Advantage (USA) Inc.	Delaware, USA	Dormant technology services	100%	100%
Broker IQ Ltd	London, UK	Dormant name reservation company	100%	100%
CyberGard Ltd	London, UK	Dormant name reservation company	100%	100%

Azur Underwriting (Ireland) Limited changed its name from Azur UW Finance (Ireland) Limited on 1st February 2021.

The proportion of the voting rights in the subsidiary undertakings held directly by the Company does not differ from the proportion of ordinary shares held.

Investments in group undertakings are recorded at cost, which is the fair value of the consideration paid.

All subsidiary undertakings are included in the consolidation.

Pursuant to a corporate reorganisation simplifying the Azur Group structure:

- On 1 June 2021 the business and assets of Azuru Services Limited were transferred to the Company by way of an in specie dividend in the amount of £1,389,167 and the Company's investment in the amount of £1,697,145 was written-off.
- On 1 October 2021 the investments in the insurance intermediary subsidiary undertakings held by Azur Insurance Holdings Limited ("AIHL") were transferred to the Company by way of an in specie dividend in the amount of £211,357 and the Company's investment in AIHL in the amount of £211,358 was written-off. Notice of the dissolution of AIHL was issued on 26 April 2022.

	Shares in group undertakings £
Cost and net book value:	
At 1 January 2021	3,956,958
- Capital contribution relating to share-based payments	664,051
- Write off of investments in subsidiary undertakings	(1,908,502)
- Investment in subsidiary undertakings acquired by way of in specie dividend	211,357
31 December 2021	£ 2,923,864

AZUR GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

12. Income tax

	2021 £	2020 £
Current tax:		
Current tax on loss for the year	-	(562,911)
Adjustments in respect of prior years	-	(16)
Total current tax	-	(562,927)
Deferred tax (Note 27):		
Origination and reversal of temporary differences	(306,887)	(534,048)
Adjustments in respect of prior periods	53,663	14,031
Effect of tax rate change on opening balance	(1,003,477)	(260,150)
Total deferred tax	(1,256,701)	(780,167)
Income tax credit	£ (1,256,701)	£ (1,343,094)

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profits/(losses) of the Group, as follows:

	2021 £	2020 £
Loss before tax	(2,316,612)	(5,815,002)
Tax calculated at standard rate of corporation tax in the UK for the year of 19% (2020: 19%)	(440,469)	(1,104,850)
Tax effects of:		
- Expenses not deductible for tax purposes	143,252	343,008
- Fixed asset differences	(1,376)	45,945
- Other permanent differences	-	(1,546)
- Additional deduction for SME R&D expenditure	-	(562,281)
- Surrender of tax losses for SME R&D tax credit refund	-	174,697
- Oversees tax difference	7,255	-
- Adjustments to tax charge in respect of prior periods	53,663	14,031
- Difference in tax rate for Irish subsidiary	-	8,052
- Income not taxable for tax purposes	(11,287)	-
- Re-measurement of deferred tax due to change in the UK tax rate	1,007,739	(260,150)
Income tax credit	£ (1,256,701)	£ (1,343,094)

Factors affecting future tax changes

On 3 March 2021, the UK government announced that it intended to increase the main rate of corporation tax to 25% for financial years beginning on or after 1 April 2023. This rate was enacted on 10 June 2021.

AZUR GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

13. Property, plant and equipment Group

	Right-of-use assets; buildings £	Office equipment £	Total £
Cost or valuation			
At 1 January 2021	1,975,958	67,517	2,043,475
Additions	-	-	-
Disposals	-	(35,985)	(35,985)
At 31 December 2021	1,975,958	31,532	2,007,490
Depreciation			
At 1 January 2021	929,902	50,218	980,120
Charge for the year	570,576	9,979	580,555
Disposals	-	(35,984)	(35,984)
At 31 December 2021	1,500,478	24,213	1,524,691
Net book amount			
At 1 January 2021	£ 1,046,056	£ 17,299	£ 1,063,355
At 31 December 2021	£ 475,480	£ 7,319	£ 482,799

Depreciation expense of £580,555 (2020: £505,026) has been charged to Administrative Expenses.

Company

	Right-of-use assets; buildings £	Office equipment £	Total £
Cost or valuation			
At 1 January 2021	-	-	-
Transfer from subsidiary undertaking	1,975,958	31,532	2,007,490
Disposals	-	-	-
At 31 December 2021	1,975,958	31,532	2,007,490
Depreciation			
At 1 January 2021	-	-	-
Charge for the year	332,836	5,599	338,435
Transfer from subsidiary undertaking	1,167,642	18,614	1,186,256
At 31 December 2021	1,500,478	24,213	1,524,691
Net book amount			
At 1 January 2021	-	-	-
At 31 December 2021	£475,480	£ 7,319	£ 482,799

AZUR GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

14. Financial instruments by category

Group

	31 December 2021 Loans and receivables £	31 December 2020 Loans and receivables £
Assets per Statement of Financial Position		
Trade and other receivables, excluding prepayments and accrued income (Note 15)	2,043,191	1,626,530
Cash and cash equivalents (Note 16)	1,099,103	2,033,251
Total	£ 3,142,294	£ 3,659,781

	31 December 2021 Loans and receivables £	31 December 2020 Loans and receivables £
Liabilities per Statement of Financial Position		
Borrowings (Note 21)	4,234,729	4,093,891
Trade and other payables, excluding statutory liabilities (Note 25)	2,970,501	2,689,547
Lease liabilities (Note 23)	546,455	1,097,224
Total	£ 7,751,685	£ 7,880,662

Company

	31 December 2021 Loans and receivables £	31 December 2020 Loans and receivables £
Assets per Statement of Financial Position		
Other loans and receivables (Note 24)	6,173,779	16,380,205
Trade and other receivables, excluding prepayments and accrued income (Note 15)	817,862	-
Cash and cash equivalents (Note 16)	51,799	6,961
Total	£ 7,043,440	£ 16,387,166

AZUR GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

14. Financial instruments by category (continued)

Company (continued)

	31 December 2021 Other financial liabilities at amortised cost	31 December 2020 Other financial liabilities at amortised cost
	£	£
Liabilities per Statement of Financial Position		
Borrowings (Note 21)	4,234,729	3,970,156
Trade and other payables, excluding statutory liabilities (Note 25)	1,626,980	891,084
Total	£ 5,861,709	£ 4,861,240

15. Trade and other receivables

Group

	2021 £	2020 £
Trade debtors	1,203,824	936,878
Other receivables	131,397	126,740
Tax receivable	707,970	562,912
Prepayments and accrued income	649,035	803,087
	£ 2,692,226	£ 2,429,617

Tax receivable includes a £707,970 VAT refund claim for the period 2018-2021 (2021) and £562,912 of SME R&D Tax Credits (2020) receivable by Group undertakings. The VAT refund was received in full after the reporting period (see Note 33).

Company

	2021 £	2020 £
Prepayments and accrued income	347,538	471,940
Other receivables	817,862	-
	£ 1,165,400	£ 471,940

AZUR GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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16. Cash and cash equivalents

Group

	2021	2020
Cash at bank and in hand	<u>£ 1,099,103</u>	<u>£ 2,033,251</u>

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

	2021	2020
Cash at bank and in hand	<u>£ 1,099,103</u>	<u>£ 2,033,251</u>

Company

	2021	2020
Cash at bank and in hand	<u>£ 51,799</u>	<u>£ 6,961</u>

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

	2021	2020
Cash and cash equivalents	<u>£ 51,799</u>	<u>£ 6,961</u>

17. Share capital, share premium and own share reserve

	Number of shares (‘000’s)	Ordinary shares £	Share premium £	Own share reserve £	Total £
At 1 January 2021	7,010,202	7,010	15,461,569	(255,423)	15,213,156
Issue of shares	46,750	47	10,378	(10,425)	-
Exercise of EMI Share options	-	-	-	12,211	12,211
At 31 December 2021		£ 7,057	£ 15,471,947	£ (253,637)	£ 15,225,367

The total authorised number of ordinary shares is 7,056,952 with a par value of £0.001 per share and 750,000 10% Cumulative Redeemable Preference Shares with a par value of £2.00.

Save in the event of listing, sale or winding-up of the Company, the preference shares carry no rights to participate in the profits or assets of the Company nor do they enjoy any voting rights except in votes pertaining to the rights attaching to the preference shares. In the event of an exit, the redeemable preference shareholder shall be entitled to receive £2.00 per share plus the fixed 10% cumulative annual dividend, calculated on a daily basis from the date

AZUR GROUP LIMITED
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17. Share capital, share premium and own share reserve (continued)

of issue of each redeemable preference share. The Company may redeem a minimum of 125,000 redeemable preference shares at any time by serving a notice of redemption.

The full amount required to redeem the preference shares is recognised as a Non-current Borrowing in the Statement of Financial Position with a commensurate reduction in Share Premium, as the preference shares have all been issued for nil monetary consideration.

During the year, 6 former employees exercised options over 47,331 ordinary shares at an exercise price of £0.258.

The Azur Group Employee Benefit Trust subscribed for 46,750 ordinary shares of £0.001 each issued at 22.3p on 16 February 2021.

18. Other reserves

Group

	Shares to be issued in settlement of EMI Share options (Note 20) £	Reserve for amortisation of fair value of embedded warrant (Note 22) £	Shares to be issued in settlement of Founder's warrant (Note 31) £	Currency translation reserve £	Total £
At 1 January 2021	3,595,597	(348,137)	34,838	-	3,282,298
Amortisation of warrant shares	-	175,926	-	-	175,926
Share options issued to employees	853,091	-	-	-	853,091
Exchange difference arising from translation of subsidiary undertaking's financial statements	-	-	-	1,473	1,473
At 31 December 2021	£ 4,448,688	£ (172,211)	£ 34,838	£ 1,473	£ 4,312,788

Company

	Shares to be issued in settlement of EMI Share options (Note 20) £	Reserve for amortisation of fair value of embedded warrant (Note 22) £	Shares to be issued in settlement of Founder's warrant (Note 31) £	Total £
At 1 January 2021	3,595,597	(348,137)	34,838	3,282,298
Amortisation of warrant shares	-	175,926	-	175,926
Share options issued to employees	853,091	-	-	853,091
At 31 December 2021	£ 4,448,688	£ (172,211)	£ 34,838	£ 4,311,315

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19. Retained earnings

Group

	2021 £
At 1 January 2021	(18,342,471)
Loss for the year	(1,059,911)
At 31 December 2021	£ (19,402,382)

Company

	2020 £
At 1 January 2021	(2,543,062)
Loss for the year	(10,259,868)
At 31 December 2021	£ (12,802,930)

20. Share-based payments

Share options which will be satisfied by the delivery of the equity of the Company were granted to specific Directors and employees of the Group under both an HM Revenue & Customs approved EMI Share Option scheme and an unapproved share option scheme in recognition of services provided.

The options are exercisable at a price equal to the Actual Market Value of the Company's shares on the date of grant agreed, in the case of the approved EMI Share Option scheme, with HM Revenue & Customs. The vesting period is three years. One third of the options can be exercised at the end of each year over the vesting period, subject to a two-year service underpin. If the options remain unexercised after a period of ten years from the date of grant, they expire. In the event an employee leaves the employment of the Group before the options vest, standard Good Leaver/Bad Leaver conditions apply. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

The outstanding awards by scheme are as follows:

Scheme	Number of Recipients	Optioned shares	Grant date	Expiry date	Exercise price	Fair value at grant date
					£	£
Azur Group EMI Option Plan:						
- 2017 grants	1	5,000	31/05/17	30/05/27	0.130	1.69
- 2019 grants	33	661,833	16/09/19	15/09/29	0.258	4.48
- 2020 grants	8	218,542	19/06/20	18/06/30	0.226	4.68
- 2021 grants	20	66,500	02/03/21	01/03/31	0.223	4.62
Unapproved options:						
- 2017	1	5,000	02/02/17	01/02/27	0.041	0.16
- 2018	1	8,000	12/02/18	11/02/28	0.130	0.61
- 2019	3	27,000	16/09/19	15/09/29	0.258	4.49
- 2020	1	30,000	19/06/20	18/06/30	0.226	4.68

AZUR GROUP LIMITED
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20. Share-based payments (continued)

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

	Number of recipients	Optioned shares	Weighted average exercise price £
Outstanding at 1 January 2021	47	979,917	0.250
Granted during the period	25	81,500	0.223
Exercised during the period	(6)	(47,331)	0.258
Surrendered during the period	(14)	(62,211)	0.223
Outstanding at the end of the year	48	951,875	£ 0.248
Exercisable at the end of the year	37	625,499	£ 0.253

Of the 951,875 options outstanding, 625,499 (2020: 455,151) were exercisable at the reporting date.

During the financial year 47,331 EMI options were exercised (2020: 1,708).

Details of the movement in unapproved options during the period are as follows:

	Number of recipients	Optioned shares	Weighted average exercise price £
Outstanding at the 1 January 2021	3	70,000	0.214
Granted during the period	-	-	-
Exercised during the period	-	-	-
Lapsed during the period	-	-	-
Outstanding at the end of the year	3	70,000	£ 0.214
Exercisable at the end of the year	3	40,999	£ 0.199

No unapproved options were exercised during the year (2020: nil).

Of the 70,000 unapproved options outstanding, 40,999 (2020: 19,332) were exercisable at the reporting date.

	2021	2020
Total share-based payment expense recognised in the year	£ 853,091	£ 1,355,158

The fair value of options granted during the period, determined using the Black-Scholes valuation model, was £4.62 per option. The significant inputs into the model were the share price of £4.8475 at the grant date, the exercise price of 22.3p, volatility of 19.5%, dividend yield of 0%, expected option life of 3 years and an annual risk-free interest rate of 0.0035%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last 5 years.

AZUR GROUP LIMITED
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20. Share-based payments (continued)

The aggregate life-to-date expense recognised in respect of the EMI Share option and the unapproved share option schemes in the subsidiaries where the option holders are employed is £4,259,648 (2020: £3,595,597). In the Company this is recognised in Other Reserves in the Statement of Financial Position with a corresponding increase in cost of investment in subsidiaries. A further £189,040 (2020: £nil) of expense has been recognised by the Company, following the TUPE transfer of staff from the subsidiary undertaking Azuru Services Limited on 1 June 2021.

The Azur Group Employee Benefit Trust (the "Trust") was established On 10 September 2019 and Ocorian Limited (the "Trustee") was appointed as the corporate trustee. This necessitated:

- the adoption of new articles of association of the Company;
- the variation of the Shareholders' Agreement; and
- the execution of an operating agreement and a loan facility agreement between the Company and the Trustee in order to regulate certain dealings between the parties in connection with the administration and operation of the Trust and to provide the Trustee (to the extent it agreed) with certain funds to acquire shares in the Company.

21. Borrowings

Group and Company

	2021 £	2020 £
Non-current		
Shareholder loan (Note 31)	2,734,279	2,470,156
Preference shares (Note 31)	1,500,000	1,500,000
	<u>£ 4,234,279</u>	<u>£ 3,970,156</u>
Group		
	2021	2020
Current		
Other loans	£ -	£ 123,735
	<u>£ -</u>	<u>£ 123,735</u>

Summary of borrowings

Lender	Loan type	Maturity date	Interest rate	Principal amount £	Fair value £
AIG Property Casualty International, LLC	Cumulative Redeemable Preference Shares of £2 each	Undated	10%	1,500,000	1,500,000
Mr RP Little	Non-amortising 3-year term loan	19/12/22	1 Month LIBOR + 10%	2,750,000	2,734,279

The 750,000 fully-paid redeemable preference shares are mandatorily redeemable on occurrence of an exit event. As at 31 December 2021 £455,563 (2020: £305,960) of the 10% cumulative dividend remained outstanding.

The non-amortising 3-year term loan in the amount of £2.5 million was fully drawn down on 23 December 2019. An Amendment and Accession Agreement was executed on 14 May 2021 increasing the original facility by £250,000 with two shareholder directors, CJ Blackburn and DQ Henriques, who became acceding parties to the original loan agreement, providing £75,000 of the additional funding. £225,000 was drawn down on 14 May 2021 with a further £25,000 drawn down on 17 May 2021. The loan is repayable on 19 December 2022 and includes interest payable at the 1-month Term SONIA Reference Rate (the LIBOR replacement) plus 10%. As at 31

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21. Borrowings (continued)

December 2021, the drawn down amount (net of transaction costs) of £2,734,279 (2020: £2,470,156) remained outstanding together with £202,072 (2020: £186,603) of accrued interest. The loan is secured by way of a fixed and floating charge over the assets of the Company.

The loan includes a warrant which confers the right to RP Little to subscribe for 108,048 ordinary shares which is disclosed as a Non-current Other Financial Liability (see Note 22).

The residual balance in the amount of \$74,038 on the \$500,000 trade finance loan extended by biBerk Insurance Services Inc. and BHHHC Specialty Risk, LLC (together "Berkshire Hathaway") was recognised in income when, effective 1 December 2021, Berkshire Hathaway discontinued use of the insurance policy administration and underwriting platform developed for it by the subsidiary undertaking Aztech Advantage Limited.

22. Other financial liabilities

	2021	2020
Non-current		
Warrant embedded derivative	£ 529,695	£ 529,459

The warrant, embedded within the £2.75 million 3-year term loan originally extended by the shareholder RP Little, confers the right to RP Little to subscribe for 108,048 ordinary shares of £0.001 each at a total cost of £108 at any time during the exercise period, which expires on 19 March 2025. The warrant is treated as an embedded derivative and valued separately at £529,695 (2020: £529,459) using the Series A+ fund raise post money equity value per share. The fair value is taken to the profit and loss over the three-year term of the loan to match the expected period over which the economic benefit of the underlying loan will be in place. Amortisation of £176,162 (2020: £176,970) was recognised in the income statement during the year.

23. Lease liabilities

	2021 £	2020 £
Lease liabilities:		
- less than 1 year	546,455	550,769
- between 1 and 2 years	-	546,455
	£ 546,455	£ 1,097,224

The movement on lease liabilities during the period is as follows:

	2021 £
At 1 January 2021	1,097,224
Interest expense	128,187
Lease payments	(678,956)
At 31 December 2021	£ 546,455

Lease liabilities are initially measured at the present value of lease payments outstanding at the commencement date, discounted using the interest rate implicit in the lease. For the year ended 31 December 2021, the interest rate implicit in the Group's lease was 15% (2020: 15%). VAT (including irrecoverable VAT) is excluded from the measurement of the lease liability as it does not constitute a lease payment under IFRS16.

Lease liabilities represent fixed monthly rentals payable by the Group for its office premises, the lease for which expires at the end of October 2022.

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23. Lease liabilities (continued)

The lease liability was remeasured in December 2019 when the Company reached an agreement with the landlord to terminate the office lease 1 month early in February 2020. Recognising the potentially profound impact that COVID-19 would have on how, and how much, office space is used, during 2020 the Company moved to new premises at Linen Court, 10 East Road, London, N1 6AD.

The Group has elected not to recognise lease liabilities for short-term leases that have a term of twelve months or less or for leases of low-value assets. The amount expensed in the year to the Statement of Comprehensive Income in respect of leases not included in the measurement of lease liabilities is £25,639 (2020: £19,829).

	Present value of minimum lease payments 2021 £	Minimum lease payments 2021 £
Amounts payable under finance leases:		
- within 1 year	431,567	585,055
- 2 to 5 years	-	-
- after 5 years	-	-
	<u>431,567</u>	<u>585,055</u>
Less: future finance charges	-	38,600
	<u>£ 431,567</u>	<u>£ 546,455</u>

Leases not yet commenced to which the Group is committed

At the reporting date the Group had no (2020: £Nil) commitments in respect of leases which had not commenced.

24. Other loans and receivables

Group

	2021	2020
Non-current		
Directors loans (Note 31)	<u>£ 229,500</u>	<u>£ 229,500</u>

Company

	2021 £	2020 £
Non-current		
Loans to subsidiary undertakings (Note 31)	5,944,279	16,150,705
Directors loans (Note 31)	<u>229,500</u>	<u>229,500</u>
	<u>£ 6,173,779</u>	<u>£ 16,380,205</u>

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25. Trade and other payables

Group

	2021 £	2020 £
Trade payables	147,174	89,216
Contract liabilities	762,249	762,249
Other creditors	154,499	158,701
Taxation and social security	233,821	69,426
Accrued expenses and deferred income	1,248,944	1,186,818
Accrued interest on shareholder loans	657,635	492,563
	<u>£ 3,204,322</u>	<u>£ 2,758,973</u>

Contract liabilities represent profit commissions received from insurers that are potentially repayable where it is not highly probable that the cumulative amount of profit commissions previously recognised will not be subject to significant reversal at some point in the future.

The movement in contract liabilities during the year is as follows:

	Profit commissions £
At 1 January 2021	762,249
Revenue reversed	-
31 December 2021	<u>£ 762,249</u>

In light of the underwriting loss experienced in the 2020 underwriting year, cumulative profit commissions previously recognised in the amount of £762,249 were reversed.

Company

	2021 £	2020 £
Trade payables	40,738	-
Other creditors	541,459	-
Taxation and social security	72,145	-
Accrued expenses and deferred income	387,148	398,521
Accrued interest on shareholder loans	657,635	492,563
	<u>£ 1,699,125</u>	<u>£ 891,084</u>

Other creditors in 2021 includes £518,970 surplus liquidity lent by the subsidiary undertaking Azur Underwriting Limited, consistent with group treasury management practices.

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26. Provisions for other liabilities and charges

The movement in provisions is as follows:

	Post-placement claims handling services £	Cancelled service premium £	Total £
At 1 January 2021	100,000	32,079	132,079
Income statement charge/(credit)	18,691	(31,848)	(13,157)
Foreign currency revaluation gain	-	(231)	(231)
31 December 2021	£ 118,691	£ -	£ 118,691

27. Deferred income tax

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

Group

	2021	2020
Deferred tax assets:		
- Deferred tax asset to be recovered after more than 12 months	<u>£ 4,265,587</u>	<u>£ 3,008,886</u>

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

	2021 £
At 1 January 2021	3,008,886
Income statement credit (Note 12)	<u>1,256,701</u>
31 December 2021	<u>£ 4,265,587</u>

Company

	2021	2020
Deferred tax assets:		
- Deferred tax asset to be recovered after more than 12 months	<u>£ 2,945,665</u>	<u>£ 527,027</u>

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

	2021 £
At 1 January 2021	527,027
Income statement credit	926,297
Transfer of deferred tax asset	<u>1,492,341</u>
At 31 December 2021	<u>£ 2,945,665</u>

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable. The Directors have prepared detailed Group and Company forecasts and expect the full amounts to be recoverable.

AZUR GROUP LIMITED
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28. Cash absorbed by operations

Group

	2021 £	2020 £
Loss before income tax	(2,316,612)	(5,815,002)
Adjustments for:		
- Finance income	(5,265)	(9,899)
- Finance costs	738,232	708,133
- Depreciation	9,979	18,524
- Depreciation of right-of-use asset	570,576	486,502
- Amortisation and impairment charge	-	286,453
- Increase in contract liabilities	-	762,249
- Unrealised exchange losses/(gains)	1,244	(2,980)
- Share-based payments	853,091	1,355,158
- Decrease in trade and other receivables	(263,044)	(831,688)
- Increase (Decrease) in trade and other payables	279,915	(690,077)
- (Decrease) in other financial liabilities	236	-
- (Decrease)/Increase in provisions	(13,157)	15,840
Cash absorbed by operations	£ (144,805)	£ (2,053,411)

Company

	2021 £	2020 £
Loss before income tax	(11,186,163)	(3,166,285)
Adjustments for:		
- Finance income	(361,213)	(604,102)
- Finance costs	675,297	593,369
- Share-based payments	189,040	-
- Depreciation	5,599	-
- Depreciation of right-of-use asset	332,836	-
- investment in subsidiary undertakings written off	1,908,503	-
- forgiveness of loans to subsidiary undertakings	9,119,601	-
- Increase in trade and other receivables	(693,459)	-
- Increase/(Decrease) in trade and other payables	207,752	(347,462)
In specie dividend received from subsidiary undertaking	(1,600,707)	-
Cash absorbed by operations	£ (1,402,914)	£ (3,524,480)

29. Contingencies

A Senior Management Performance Ratchet ("SMPR") was agreed with the shareholders as part of the capital restructuring concluded in September 2018. The terms of the SMPR state that 10% of any increase in the Company's valuation between £100 million and £350 million is available to be distributed amongst senior management and employees, as determined by the Company's Executive Committee, with the maximum cash payment under the SMPR capped at £25 million.

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30. Business combinations

Group

No acquisitions took place in the year ended 31 December 2021 or the year ended 31 December 2020.

No acquisition-related costs, chargeable to Administrative Expenses in the Group Statement of Comprehensive Income, were therefore incurred for the year ended 31 December 2021 (2020: £nil).

Company

Pursuant to a corporate reorganisation simplifying the Azur Group structure:

- On 1 June 2021 the business and assets of Azuru Services Limited ("ASL") were transferred to the Company by way of an in specie dividend in the amount of £1,389,167 and the Company's investment in the amount of £1,697,145 was written-off.
- On 1 October 2021 the business and assets (investments in the insurance intermediary subsidiary undertakings) of Azur Insurance Holdings Limited ("AIHL") were transferred to the Company by way of an in specie dividend in the amount of £211,357 and the Company's investment in AIHL in the amount of £211,358 was written-off.

The assets and liabilities acquired by the Company as a result of the two corporate reorganisations were:

	ASL asset transfer £	AIHL asset transfer £	Total £
Property, plant and equipment at net book value	821,234	-	821,234
Investments in subsidiary undertakings	-	211,357	211,357
Deferred tax	1,492,157	184	1,492,341
Trade and other receivables	231,381	-	231,381
Cash and cash equivalents	89,704	-	89,704
Lease liabilities	(883,642)	-	(883,642)
Trade and other payables	(361,667)	-	(361,667)
	£ 1,389,167	£ 211,541	£ 1,600,708

31. Related parties

Group and Company

There is no ultimate controlling party of the Company as it is owned by a number of private and corporate shareholders none of whom have a controlling interest.

The following transactions were carried out with related parties:

Loan provided by shareholder directors

A non-amortising 3-year term loan for £2.5 million was provided by the shareholder director Mr RP Little and fully drawn down on 23 December 2019. An Amendment and Accession Agreement was executed on 14 May 2021 increasing the original facility by £250,000 with two shareholder directors, CJ Blackburn and DQ Henriques, who became acceding parties to the original loan agreement, providing £50,000 and £25,000, respectively, of the additional funding. £225,000 was drawn down on 14 May 2021 with a further £25,000 drawn down on 17 May 2021. The loan is repayable on 19 December 2022, carries interest at the 1-month Term SONIA Reference Rate (the LIBOR replacement) plus 10% and is secured by way of a fixed and floating charge over the assets of the Company. As at 31 December 2021, the aggregate amount outstanding net of transaction costs was £2,734,279 (2019: £2,470,156) together with £202,072 of accrued interest (2020: £186,999). Accrued gross interest (before the deduction of 20% withholding tax) of £251,756 (2020: £75,823), covering the period from 6 April 2020 to 5 April 2021 was cash settled on 3 April 2021 in accordance with the loan terms.

The loan contains an embedded warrant which confers the right to RP Little to subscribe for 108,048 ordinary shares of £0.001 each at a total cost of £108 at any time during the exercise period, which expires on 19 March 2025. The warrant is treated as an embedded derivative, distinct from its host contract the 3-year term loan, and has been valued at £529,459, using the Series A+ fund raise post money equity share valuation. As at 31 December 2021, £172,211 (2020: £348,137) remains in Other Reserves to be amortised.

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31. Related parties (continued)

Group and Company (continued)

Preference shares held by shareholder

The shareholder AIG Property Casualty International, LLC ("AIG") holds 750,000 10% Cumulative Redeemable Preference Shares of £2 each. As at 31 December 2021 £455,563 (2020: £305,960) of the 10% cumulative dividend was outstanding.

Directors' loans

At the reporting date, the Company has extended loans to Directors in the amount of £229,500 (2020: £229,500). Directors' Loans have an initial 3-year term, bear interest at the "Official Rate" set annually by HM Revenue & Customs and are collateralised by shares owned by the borrowing-director in the Company. The aggregate value of loans to any one director shall not exceed 60% of the estimated market value of the shares at the date of signing of the most recent loan agreement. Accrued interest of £5,164 was paid on 24 March 2021 (2020: £5,737).

Options held by the Founder

The option over 10,000 shares stapled to the interest-free loan provided by the Founder and repaid by the Company on 17 August 2018 was revalued during 2019 to reflect the Company's latest capital raising. The fair value of the option as at 31 December 2021 was £34,838 (2020: £34,838), employing the Series A+ share price of £4.48.

Key management compensation

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

	2021 £	2020 £
Salaries and other short-term employee benefits	876,444	886,941
Post-employment benefits	50,400	50,416
	£ 926,844	£ 937,357

The highest-paid Director received emoluments of £204,021 (2020 £184,484) and pension contributions of £7,866 (2020: £8,917).

Group

Trading with related parties

Under the terms of a Managing General Agency Agreement ("MGAA") dated 28th June 2016, the group undertaking Azur Underwriting Limited 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. Following a Part VII transfer as part of its Brexit preparedness, the business of AIG Europe Ltd was transferred to American International Group UK Ltd (which underwrites UK risks) and AIG Europe SA (which underwrites EEA risks) and AIG Europe Ltd ceased trading. AIG American International Group UK Ltd and AIG Europe SA are subsidiaries of a significant shareholder in the Parent Company.

On 24 December 2020, Azur Underwriting (Ireland) Limited was authorised by the Central Bank of Ireland as a Retail Intermediary under the European Union (Insurance Distribution) Regulations 2018, enabling continuity of service to be provided post Brexit to the Group's clients and to EU insured customers. Under the terms of a Managing General Agency Agreement ("MGAA") dated 1 February 2021, Azur Underwriting (Ireland) Limited was appointed by AIG Europe SA to act as its agent to administer its EEA private client business, to effect renewals of that business, and to make arrangements for the provision and administration of certain new insurance business. In order to support the services that Azur Underwriting Limited has agreed to undertake under the MGAA, American International Group UK Ltd provides certain IT and insurance operations services to Azur Underwriting Limited 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 American International Group UK Ltd is £1.

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31. Related parties (continued)

Group (continued)

Trading with related parties (continued)

Azur Underwriting Limited earned £6,280,954 (2020: £5,864,688) of commissions on related party transactions of which £992,912 (2020: £923,609) was outstanding at the year end. Azur Underwriting (Ireland) Limited earned £327,394 (2020: £nil) of commissions on related party transactions of which £131,057 (2020: £nil) was outstanding at the year end. No profit commission was earned from related parties in 2021 (2020: £nil) on account of the underwriting losses recorded in 2020 and 2021.

The Group provided claims handling, insurance accounting & settlement and business introduction services to American International Group UK Ltd during the period for which it earned £45,000 (2020: £45,000), none of which amount was outstanding at the reporting date (2020: £nil).

During the year the group undertaking Aztech Advantage Limited delivered a series of products and enhancements to the commercial underwriting and insurance policy administration platform utilised by Ascot US Services Company LLC, a subsidiary company of a significant shareholder in the Group. Total PaaS Development Fees of \$1,577,300 (2020: £1,542,725) were earned during the year.

Company

Short-term loans from subsidiary undertakings

Consistent with established treasury management practices, surplus liquidity is deposited by subsidiary undertakings in the Group on a short-term, unsecured basis, with the Company for investment. The outstanding payable balance was £518,970 as at 31 December 2021 (2020: £nil).

Azur Underwriting Limited

As at 31 December 2021, £518,970 (2020: £nil) was deposited. No accrued interest existed as at 31 December 2021 (2020: £nil) and no accrued interest (2020: £nil) had been paid during the year.

Loans to subsidiary undertakings

Long-term cash financing is provided to subsidiary undertakings in the Group. The outstanding receivable balance was £5,944,279 as at 31 December 2021 (2020: £16,150,705) together with accrued interest of £163,112 (2020: £467,618).

Aztech Advantage Limited

During the year the Company repaid £1.75 million (2020: £1.57 million drawn down) of funding under an aggregate £10 million unsecured term credit facility to the subsidiary company Aztech Advantage Limited. Amounts drawn down under the first £5 million of the facility are repayable on 30 April 2022, with amounts drawn down under the residual £5 million repayable on 29 February 2024. Interest on both facilities is payable at 3.5% and cash settled at annual intervals.

As at 31 December 2021, £4,895,351 (2020: £6,650,210) remained outstanding together with £153,907 (2020: £176,077) of accrued interest. Accrued interest of £226,724 (2020: £179,497), covering the period 1 April 2021 to 31 March 2021, was settled on 30 April 2021 in accordance with the loan terms.

Azuru Services Limited

On 1 June 2021, pursuant to a corporate reorganisation simplifying the Azur Group structure, the Company entered into a Deed of Release discharging and releasing the subsidiary undertaking Azuru Services Limited from amounts owed to the Company under the intercompany loan agreements. Aggregate indebtedness of £9,118,636, comprising loan principal of £8,703,948 plus accrued interest of £414,688, was forgiven by the Company. Prior to that date Azuru Services Limited had drawn down a further £0.112 million (2020: £0.82 million repaid) of funding under the aggregate £15 million unsecured term credit facility. Interest was payable at 3.5% on the first £10 million drawn down and at 1-month LIBOR plus 10% on residual amounts drawn down and cash settled at annual intervals.

No accrued interest was cash settled in the year (2020: £312,883).

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31. Related parties (continued)

Company (continued)

Loans to subsidiary undertakings (continued)

Azur Insurance Holdings Limited

On 1 October 2021, pursuant to a corporate reorganisation simplifying the Azur Group structure, the Company entered into a Deed of Release discharging and releasing the subsidiary undertaking Azur Insurance Holdings Limited from amounts owed to the Company under an intercompany loan agreement. At the same time Azur Insurance Holdings Limited entered into a Deed of Novation transferring to the Company all its rights and obligations under both the £3,000,000 subordinated loan facility it had extended to Azur Underwriting Limited on 16 December 2020 and the €240,000 and £500,000 unsecured term credit facilities it had extended to Azur Underwriting (Ireland) Limited on 19 November 2019 and 16 December 2020, respectively. Taking into consideration the novated loans, aggregate net indebtedness of £966, comprising solely loan principal, was forgiven by the Company. Prior to that date, Azur Insurance Holdings Limited had drawn down a further £127,477 (2020: £810,592) of funding under the aggregate £3,750,000 non-amortising unsecured term credit facility.

Interest was payable at 3.5% on the loan. Accrued interest of £19,535, covering the period from drawdown to 30 September 2021, was cash settled on 30 September 2021 (2020: £nil).

Azur Underwriting Limited

On 1 October 2021, as part of the transfer of the assets and business of Azur Insurance Holdings Limited to the Company, the unsecured non-amortising Sterling 5-year term loan facility for a total principal amount not exceeding £3,000,000 extended by Azur Insurance Holdings Limited to Azur Underwriting Limited on 16 December 2020 was novated to the Company. At the date of novation, £750,000 had been drawn down under the loan agreement. Amounts drawn down are repayable on or before 15 December 2025 and accrue interest at 3.5% p.a.

As at 31 December 2021 £750,000 (2020: £nil) remained outstanding to the Company together with £6,616 (2020: £nil) of accrued interest.

Azur Underwriting (Ireland) Limited

On 1 October 2021, as part of the transfer of the assets and business of Azur Insurance Holdings Limited to the Company, the €240,000 and £500,000 unsecured term credit facilities extended by Azur Insurance Holdings Limited to Azur Underwriting (Ireland) Limited on 19 November 2019 and 16 December 2020, respectively, were novated to the Company. At the date of novation, an aggregate amount of £285,107 had been drawn down under the loan agreements. Amounts drawn down are repayable on or before 31 October 2024 and 15 December 2025, respectively, and accrue interest at 3.5% p.a.

As at 31 December 2021 an aggregate amount of £298,927 (2020: £nil) remained outstanding to the Company together with an aggregate £2,588 (2020: £nil) of accrued interest.

32. Events after the reporting period

On 5 April 2022 accrued interest of £221,856 (£277,320 gross before deduction of 20% withholding tax) was paid on the £2.75 million non-amortising 3-year term loan.

The VAT refund claim in the aggregate amount of £707,970 was settled in full by HMR&C on 10 March 2022 (£34,575) and 4 May 2022 (£673,395).

Notice of the dissolution of the subsidiary undertaking Azur Insurance Holdings Limited was issued by Companies House on 26 April 2022.

On 2 August 2022 Azur Underwriting Limited signed an Asset Purchase Agreement (the 'agreement') with Azur Underwriting Ireland Limited, Aviva Insurance Limited and Aviva Insurance Ireland DAC for the sale of its UK and Irish insurance business, inclusive of the policyholder renewal rights, goodwill, intellectual property rights and IT systems.

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32. Events after the reporting period (continued)

The transfer of the UK insurance business will constitute a Transfer of Going Concern ('TOGC') for VAT purposes and will also constitute a relevant transfer for the purposes of the Transfer of Undertakings (Protection of Employment) Regulations 2006 (as amended) (TUPE) and the European Communities (Protection of Employees on Transfer of Undertakings) Regulations 2003 and the Company will therefore need to comply with its obligations under TUPE.

It is anticipated that certain members of staff will TUPE transfer across to Aviva on 31 December and concurrently be seconded back to Azur Underwriting Limited until 28 February 2023 when a Run-Off period will commence.

As per the Asset Purchase Agreement completion will take place on the 31 March 2023 at which time Azur Underwriting Limited will receive proceeds relating to the transaction.

Between exchange and completion the Company will be subject to certain pre-completion undertakings.

On 27 October 2021, American International Group UK Limited provided notice to Azur Underwriting Limited that it wished to terminate its MGA Agreement with the Company on 27 October 2022.

Following subsequent agreement, American International Group UK Limited provided further notice that the MGA Agreement will now terminate on 28 February 2023 provided that with effect from 27 October 2022, the Company will cease underwriting both Niche Home and Underwriting Home products.

As per the MGA Agreement, American International Group UK Limited is required to conduct an orderly wind down of the UK insurance business following termination of the MGA Agreement on 28 February. The Company agreed with American International Group UK Limited that from 1 March 2023 it will assist with the orderly wind down of its UK insurance business over the Run-Off period.

Certain Employees will be seconded back to the Company from Aviva Insurance Limited following the TUPE transfer during the Run-Off Period.