ANNUAL REPORT AND FINANCIAL STATEMENTS

2019

FOR THE YEAR ENDED 31 DECEMBER 2019

AZTECH ADVANTAGE LIMITED

Registered number: 10501345

AZTECH ADVANTAGE LIMITED

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AZTECH ADVANTAGE LIMITED

COMPANY INFORMATION

Directors	Mr CJ Blackburn Mr GA Elliott Mr D Peacock Mr I Pettifor
Company Secretary	Vistra Company Secretaries Limited
Company Number	10501345
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

The Directors present their Strategic Report for the Company for the year ended 31 December 2019.

Report of the business

Review of the business

The principal activity of the Company, which is part of the Azur InsurTech group (the "Group"), is the provision of technology services, in the form of Platform as a Service ("PaaS") and Software as a Service ("SaaS") solutions to the insurance industry.

The Company became revenue generative in 2018 following the design, build and operation of a commercial underwriting platform for the US admitted lines market. In 2019 the Company successfully delivered further growth with a large-scale development project with another US-based insurer for an SME admitted lines product underwriting platform.

The Company also launched a broker hub and platform to underwrite and administer home insurance policies for the emerging wealth customer segment and developed an innovative cyber insurance product for company employee benefit programmes. These initiatives support the insurance intermediation activities of the fellow subsidiary company Azur Underwriting Limited.

Following its successes in 2019, the Company has a healthy pipeline of opportunities to expand both the range of products and the geographical reach of the business, together with enhanced functionality for the existing platforms.

As a result of its parent company, Azur Group Holdings Limited (the "Parent Company"), having successfully closed a £5.32 million funding round in March 2020, adequate funding for the necessary research and development expenditures is available.

Capital structure

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

In determining appropriate levels of capital, the Directors are conscious of the need to maintain a prudent relationship between the underlying risks of the business and Parent Company return, whilst at the same time satisfying financial covenants in bank credit facilities, as and when the Company is able to source such finance. The pre-breakeven status of the Company means that it is at present heavily reliant on Parent Company support.

The Company currently finances its operations from the following sources:
a) Equity; and
b) Parent Company debt.

Capital structure ***(continued)***

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

Capitalisation and indebtedness	31 December 2019 £'000
Secured	-
Unguaranteed/unsecured	5,143
Total current and non-current debt	**5,143**
Share capital and share premium	75
Other reserves	856
Retained earnings	(4,844)
Shareholder's equity	**(3,913)**
Net indebtedness / resources	
Cash	21
Total liquidity	21
Current bank debt	-
Other current financial debt [1]	(250)
Current financial indebtedness	(250)
Net current financial indebtedness	**(229)**
Parent Company debt	(5,143)
Non-current financial indebtedness	**(5,143)**
Net financial indebtedness	**(5,372)**

Notes

(1) The Company has current indirect indebtedness in the form of trade finance as at 31 December 2019 (Note 2).

Key performance indicators

As a developing company, having sufficient cash resources to satisfy the Company's financial obligations as and when they fall due is of the utmost importance. Thereafter, the Directors are focused on building a sustainable business whose insurance sector customers deploy its PaaS and SaaS technologies to grow and improve the operating efficiency of their books of business, whilst delivering an enhanced User Experience for insured clients and intermediaries, across a range of both Personal Lines and Commercial Lines products and geographies. The Company services both Group and third-party customers.

The Directors believe that technological innovation is essential to addressing this market need whilst at the same time providing its shareholder with sustainable relatively low-risk capital growth.

The Company employs an array of key performance indicators. In the opinion of the Directors, the disclosure of competitor-sensitive information regarding, for example, customer numbers, serviced gross written premium, pricing, retention rates, Monthly Recurring Revenue ("MRR") Contracted Monthly Recurring Revenue ("CMRR") and Expansion MRR, is likely to be prejudicial to the interests of the Company. Accordingly, the Directors limit disclosure of key performance indicators to the following:

	2019	**2018**
Revenue (£'000's)	2,492	40
Loss before tax (£'000's)	(964)	(3,301)
Revenue per employee (£'000's)	138	2.5
Average headcount	18	16
Cash and cash equivalents (£'000's)	21	100

Principal risks and uncertainties

<u>*Risk management objectives and policies*</u>

The principal risks and uncertainties for the Company follow from the willingness of the insurance sector to identify the need to embrace technological innovation to enhance insured customer outcomes and to improve their operating efficiency; from the entry of disruptive new capital providers to the insurance sector and from technological innovation that could potentially render the Company's products and services obsolete.

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

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

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

Principal risks and uncertainties (continued)

Financial risks

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

Credit risk

Credit risk is the risk that the Company will incur losses as a result of the failure of a customer to meet their obligations and arises from holdings of cash and cash equivalents.

Such losses are minimised by performing a credit assessment on all new insurers and insurance intermediaries at the commencement of a PaaS or SaaS service and by actively monitoring aged receivables, with the ultimate sanction being that PaaS or SaaS services can be withdrawn for non-payment.

The Company limits 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 Financial Services Compensation Scheme protection.

Liquidity risk

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

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

Foreign exchange risk

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

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

Interest rate risk

Interest rate risk is the risk of adverse changes (effectively increases) in market interest rates and could potentially arise from the use of bank overdrafts.

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

Principal risks and uncertainties (continued)

Non-financial risks

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

Reputational risk

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

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

Operational risk

Operational risk is the risk of loss of earnings and/or value resulting from inadequate or failed internal processes, people and systems or from external events. It is inherent within all of the financial risk categories above.

Operational risks encompass customer treatment, product development risk, processes and systems risk, change risk, people risk, theft, fraud, legal and regulatory risks and corporate governance risk.

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

Future developments

The Directors expect the general level of business activity to continue to increase in the forthcoming year consistent with the growth in recurring service fee income and the number of pipeline development projects. Since the year end, the Company has concluded negotiations for the provision of consultancy services on the development of a PaaS product for a major European insurer and signed Statements of Work in the amount of $1million for the enhancement and extension of its US admitted lines underwriting platforms

The Company adopted a remote-first working policy a week before the UK government mandated COVID-19 lock down on 23 March 2020. As a digitally-enabled business, the Company benefited from the investment made in its systems architecture and working practices and was fortunate to be able to move relatively seamlessly to remote working, ensuring the smooth continuation of services to its insurance industry customers in both the US and the UK.

Future developments (continued)

As a result of the economic impact of COVID-19, the Company is forecasting a 40% shortfall in budgeted revenues from its US customers in 2020 which, nevertheless, are projected to be 35% higher than in 2019. As an immediate response to this reduction in budgeted US revenues, the Company has deferred planned recruitment and taken the opportunity to focus its development efforts on the enhancement and extension of the broker hub and underwriting and policy administration platform utilised by the fellow subsidiary company Azur Underwriting Limited.

With the depth and duration of the COVID 19 economic disruption unknown, consistent with the philosophy of "hope for the best, plan for the worst", the Directors implemented a series of cost-cutting initiatives in April 2020 to increase the business's resilience including the elimination of all discretionary expenditure, 12-month pay cuts for Executive Committee members and downsizing the office. At this juncture, staff redundancies and pay cuts have been avoided. 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 situation and respond quickly to changed circumstances.

Details of significant events since the balance sheet date are contained in Note 28 to the financial statements.

Going concern

The Parent Company completed a £5.32 million funding round in the first quarter of 2020. The Directors, therefore, believe that the Parent Company has sufficient liquid resources to honour its pledge of continuing support to the Company and to fund amounts not yet drawn down on the committed £10 million unsecured loan facility.

Based on the Parent Company pledge of continuing support, the assessment that COVID-19 will not have a significant adverse impact on the results of the business and the additional operating resilience established, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

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

By Order of the Board

CJ Blackburn

Charles Blackburn
Director
28 July 2020

The Directors present their report and the audited financial statements for the year ended 31 December 2019.

General information

Aztech Advantage Limited is a private company limited by shares, incorporated and domiciled in England. Its registered address is First Floor, Templeback, 10 Temple Back, Bristol, BS1 6FL and its principal place of business is Linen Court, 10 East Road, London, N1 6AD.

The ultimate parent company is Azur Group Holdings Limited.

Future developments and events after the balance sheet date

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on pages 7 & 8 and form part of this report by cross-reference.

Dividends

The Directors do not propose the payment of a dividend for the year.

Research and development

The Company continues to focus on developing its Platform as a Service ("PaaS") and Software as a Service ("SaaS") product offerings with the release of its first digital insurance product, SMARTHome, on a UK broker hub and underwriting and policy administration platform occurring in early 2019, following the launch of its first end-to-end insurance intermediation platform for the US markets in 2018.

Political and charitable donations

During the period no political donations or charitable donations were made by the Company.

Disabled persons

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

Employee involvement

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

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

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

DIRECTORS' REPORT

Directors

The Directors of the Company during the year ended 31 December 2019, together with their dates of appointment and/or resignation as applicable, were:

	Date of appointment	Date of resignation
Mr CJ Blackburn	5 January 2017	-
Mr GA Elliott	5 January 2017	-
Mr I Pettifor	5 January 2017	-
Mr D Peacock	30 November 2018	-

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

Directors' indemnity

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

Provision of information to auditor

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

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

Auditor

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

This report was approved by the Board on 28 July 2020 and signed on its behalf.

CJ Blac

Charles Blackburn
Director
28 July 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

We have audited the financial statements of Aztech Advantage Limited (the "Company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standard ("IFRS") as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (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 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.

Emphasis of Matter

We draw attention to Note 2 "Going Concern" section of the financial statements, which describes the Directors' assessment of the impact of COVID-19 on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ian Cowan

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

15 Westferry Circus
Canary Wharf
London E14 4HD

31 July 2020

AZTECH ADVANTAGE LIMITED

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019

	Note	31st December 2019 £	31st December 2018 £
Loss from Operations			
Revenue	5	2,491,764	40,155
Gross Profit		2,491,764	40,155
Other income	6	317,931	-
Administrative expenses		(3,598,612)	(3,229,157)
Operating Loss	7	**(788,917)**	(3,189,002)
Finance costs	10	(174,814)	(111,705)
Loss on Ordinary Activities Before Income Tax		**(963,731)**	(3,300,707)
Income tax credit	11	465,462	510,807
Loss on Ordinary Activities for the Period		**(498,269)**	(2,789,900)
Other Comprehensive Income for the Period, Net of Tax		-	-
Total Comprehensive Loss for the Period		**£ (498,269)**	£ (2,789,900)

The accounting policies and notes on pages 19 to 40 form part of these financial statements.

AZTECH ADVANTAGE LIMITED

STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

	Note	2019	2018
		£	£
Assets			
Non-current Assets			
Intangible assets	13	286,453	381,938
Deferred tax	23	837,049	808,030
		1,123,502	1,189,968
Current Assets			
Trade and other receivables	15	935,595	324,282
Cash and cash equivalents	16	21,468	99,722
		957,063	424,004
Total Assets		**£ 2,080,565**	£ 1,613,972
Equity and Liabilities			
Equity Attributable to Shareholder			
Share capital	17	75,000	75,000
Other reserves	18	855,754	100,537
Retained earnings	19	(4,844,006)	(4,345,737)
Total Equity		**(3,913,252)**	(4,170,200)
Liabilities			
Non-current Liabilities			
Borrowings	20	**5,082,225**	4,883,893
Current Liabilities			
Trade and other payables	21	643,253	524,341
Borrowings	20	250,408	375,938
Provisions for other liabilities and charges	22	17,931	-
		911,592	900,279
Total Liabilities		**5,993,817**	5,784,172
Total Equity and Liabilities		**£ 2,080,565**	£ 1,613,972

The accounting policies and notes on pages 19 to 40 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 28 July 2020, and were signed on its behalf by:

Ian Pettifor
Director
Company number 10501345

AZTECH ADVANTAGE LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

		Attributable to Equity Shareholder			
	Note	**Share capital £**	**Other reserves £**	**Retained earnings £**	**Total £**
Balance as at 1 January 2019		**75,000**	**100,537**	**(4,345,737)**	**(4,170,200)**
Loss for the year		-	-	(498,269)	(498,269)
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income		-	-	**(498,269)**	**(498,269)**
Transactions with Owner					
Employee share option scheme:					
- Shares to be issued	18	-	755,217	-	755,217
Total Transactions with Owner Recognised Directly in Equity		-	**755,217**	-	**755,217**
Balance as at 31 December 2019		**£ 75,000**	**£ 855,754**	**£ (4,844,006)**	**£ (3,913,252)**
Balance as at 1 January 2018		**75,000**	**101,442**	**(1,555,837)**	**(1,379,395)**
Loss for the period		-	-	(2,789,900)	(2,789,900)
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income		-	-	**(2,789,900)**	**(2,789,900)**
Transactions with Owner					
Employee share option scheme: - Net write back of Capital contribution		-	(905)	-	(905)
Total Transactions with Owner Recognised Directly in Equity		-	**(905)**	-	**(905)**
Balance as at 31 December 2018		**£ 75,000**	**£ 100,537**	**£ (4,345,737)**	**£ (4,170,200)**

The accounting policies and notes on pages 19 to 40 form part of these financial statements.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

	Note	2019 £	2018 £
Cash Flows from Operating Activities			
Cash absorbed by operations	24	(5,178)	(3,183,409)
Net Cash Absorbed by Operating Activities		**(5,178)**	(3,183,409)
Cash Flows from Investing Activities			
Sale of property, plant and equipment	12	-	8,130
Purchases of intangible assets	13	-	(5,214)
Net Cash Generated from Investing Activities		**-**	2,916
Cash Flows from Financing Activities			
Parent Company net debt drawn down	20	198,332	2,917,281
Parent Company net interest paid	26	(154,531)	-
Proceeds from trade finance		-	362,077
Repayment of trade finance	20	(116,877)	(17,827)
Net Cash (Used in)/Generated from Financing Activities		**(73,076)**	3,261,531
Net (Decrease)/Increase in Cash, Cash Equivalents and Bank Overdrafts		**(78,254)**	81,038
Cash, cash equivalents at beginning of period		**99,722**	18,684
Cash and Cash Equivalents at End of Period	16	**£ 21,468**	£ 99,722

The accounting policies and notes on pages 19 to 40 form part of these financial statements.

1. General information

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

2. Summary of significant accounting policies

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

Basis of preparation

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

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

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

Going concern

The Company meets its day-to-day working capital requirements through support from its Parent Company. On 1 May 2017 the Parent Company extended a £5 million unsecured loan facility to the Company, repayable on 30 April 2022, with interest payable at 3.5% to be cash settled annually.

An additional £5 million unsecured loan facility was extended to the Company by the Parent Company on 2 January 2019, repayable on 29 February 2024, on the same terms as the original £5 million loan facility, taking available financial support to £10 million.

At the year end £5.14 million was drawn down under the facilities (2018: £4.88 million) and £131,877 (2018: £111,705) of interest accrued on the loan.

In addition, accrued interest of £179,497 on the loan was cash settled in April 2020 in accordance with the loan terms and a further £1,780,715 borrowed leaving a total balance outstanding of £6.86 million, on the £10 million aggregate facility at the date of these financial statements.

On 23 October 2019 a £5.25 million funding round, comprising a £2.75 million equity raise, via a rights issue, and a £2.5 million non-amortising 3-year term loan, was approved by the Parent Company shareholders. The term loan was fully drawn down on 23 December 2019 and the final equity subscriptions of £2.82m were completed on 20 March 2020.

Although the Directors responded immediately to a forecast 40% shortfall in budgeted revenue from the Company's US customers, deferring planned recruitment and taking the opportunity to focus development efforts on the platform utilised by the fellow subsidiary company Azur Underwriting Limited, the depth and duration of the COVID 19 economic disruption is unknown.

Consistent with the philosophy of "hope for the best, plan for the worst", the Directors have implemented a series of cost-cutting initiatives to increase the business's resilience including the

2. Summary of significant accounting policies (continued)

Going concern (continued)

elimination of all discretionary expenditure, 12-month pay cuts for Executive Committee members and downsizing the office. Staff redundancies and pay cuts remain as further cost-cutting initiatives.

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.

After making appropriate enquiries, the Directors believe that the Parent Company has sufficient liquid resources to fund amounts not yet drawn down on the committed £10 million facility. Based on the Parent Company pledge of continuing support, the assessment that COVID-19 will not have a significant adverse impact on the results of the business and the additional operating resilience established, the Directors are satisfied that the Company has adequate resources available to it to continue in operational existence for the foreseeable future. The Company, therefore, continues to adopt the going concern basis in preparing its financial statements.

Changes in accounting policies and disclosures

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

A new standard became effective for the first time for the financial year beginning 1 January 2019:

- International Reporting Standard ("IFRS") 16 'Leases'

The details of the change in accounting policy are disclosed below.

Previously, the Company determined at contract inception whether an arrangement was, or contained, a lease under IFRIC 4 'Determining whether an Arrangement contains a lease.' The Company now assesses whether a contract is, or contains, a lease based on the definition of a lease, as explained later in this note.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into, or changed, on or after 1 January 2019.

No lease contracts have been entered into during the period.

(b) New standards and interpretations not yet adopted

A number of new amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company.

Foreign currency translation

Functional and presentation currency

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

2. Summary of significant accounting policies (continued)

Foreign currency translation (continued)

Transactions and balances

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

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

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

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

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

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 Company 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 on assets 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 & communications 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 "Other Gains/(Losses) – Net" in the income statement.

The company no longer holds property, plant and equipment assets following the transfer of such assets to the fellow subsidiary company Azuru Services Limited in February 2018.

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 Company 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 Company classifies its financial assets into the following categories:

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

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

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

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

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

2. Summary of significant accounting policies (continued)

Financial assets (continued)

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 recognizes a loss allowance at an amount equal to lifetime expected credit losses ("ECL").

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

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

Offsetting financial instruments

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

Cash and cash equivalents

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

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.

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. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2. Summary of significant accounting policies (continued)

Financial liabilities (continued)

Trade payables (continued)

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

Borrowings

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

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

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

Trade finance

The Company 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 BHHC 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 is paid by Berkshire Hathaway for the Company's maintenance and operation of the platform. Berkshire Hathaway is only required to cash settle £0.50 of every £1.00 of the service fee due with the residual to offset against the aggregate of the Initial Fee and Operational Start Fee. Should Berkshire Hathaway discontinue use of the platform for any reason, the balance of the loan would be recognised in income.

Share capital

Ordinary shares are classified as equity.

Current and deferred income tax

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

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

2. Summary of significant accounting policies (continued)

Current and deferred income tax (continued)

As a form of taxable income, the cash value of Research and Development Tax Credits ("RDEC") received/receivable from HM Revenue & Customs are grossed up at the prevailing corporation tax rate and recorded as Other Income. 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 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 company or companies within the group where there is an intention to settle the balances on a net basis.

Employee benefits

<u>*Pension obligations*</u>

The Company operates a defined contribution pension plan.

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

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as 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.

<u>*Bonus plans*</u>

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

<u>*Share-based payments*</u>

Share options in the ultimate parent undertaking are granted to Directors and selected employees. Options are conditional on the employee completing 3 years' service (the vesting period). One third of the options are exercisable on a cliff-edge basis at the end of each year of the vesting period, subject to a 2-year service underpin. The Parent Company has no legal or constructive obligation to repurchase or settle the options in cash. The fair value of employee services received in exchange for the grant of options is recognised as an expense and the corresponding entry treated as a capital contribution in Other Reserves. The total amount to be expensed is determined by reference to the fair value of the options granted:

2. Summary of significant accounting policies (continued)

Employee benefits (continued)

<u>*Share-based payments (continued)*</u>

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

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

Provisions

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

A provision is made against the PaaS GWP-based service fees 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.

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 Company 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 Company's activities, as described below.

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

PaaS GWP use-based 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 customer's specific insurance product and market requirements.

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

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

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

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 Company utilises an Agile development methodology structured around a two-weekly development cycle ("sprint").

Product Development Fee revenue is recognised when the Company'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.

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

The Company has a trade finance loan with biBerk Insurance Services Inc. and BHHC Specialty Risk, LLC (together "Berkshire Hathaway") that represents an Initial Fee of US $350,000 advanced to the Company on the signing of a Development, Servicing and Licencing Agreement 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 is paid by Berkshire Hathaway for the Company's maintenance and operation of the platform. Berkshire Hathaway is only required to cash settle £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 Company recognises the full value of the service fee as revenue on a monthly basis as the platform is in operation in line with the fee being invoiced monthly in arrears.

Other income

As a form of taxable income, the cash value of Research and Development Tax Credits ("RDEC") received/receivable from HM Revenue & Customs are grossed up at the prevailing corporation tax rate and recorded as Other Income.

Leases

At inception of a contract, the Company 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 Company assesses whether:

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

2. Summary of significant accounting policies (continued)

Leases (continued)

The Company 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 its useful life 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 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 Company's incremental borrowing rate.

Short term leases and leases of low-value assets

The Company 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 Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Dividend distribution

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

3. Financial risk management

Financial risk factors

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

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

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to insurers and insurance intermediaries and group undertakings including outstanding receivables and committed transactions. The utilisation of credit limits is regularly monitored.

No credit losses were experienced during the reporting period and management does not expect any material losses from non-performance by these counterparties.

3. Financial risk management (continued)

Financial risk factors (continued)

Liquidity risk

Cash flow forecasting is performed at both a Company and a Group level, and aggregated by the Finance Department. The Department monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration 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 Company's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings, based on the remaining period at the end of the reporting period to the contracted 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 2019				
Trade and other payables	£ 643,253	£ -	£ -	£ -
Trade finance	£ 250,408	£ -	£ -	£ -
Parent Company borrowings	£ -	£ -	£ 5,142,871	£ -
At 31 December 2018				
Trade and other payables	£ 524,341	£ -	£ -	£ -
Trade finance	£ 375,938	£ -	£ -	£ -
Parent Company borrowings	£ -	£ -	£ 4,883,893	£ -

Foreign exchange risk

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

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

Interest rate risk

Interest rate risk arises from increases in market interest rates and could potentially arise from the use of bank overdrafts.

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

4. Critical accounting estimates and judgements

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

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

Provision for cancelled service premium

The Company provides for the risk of cancellation of an underlying serviced insurance policy and resultant return of a proportion of the PaaS service fee. The 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 the provision is calculated using applicable contracted PaaS service fee rates.

5. Revenue

	2019 £	2018 £
Technology service fees:		
- PaaS Development Fees	2,272,604	-
- PaaS use-based service fees	215,110	35,655
- SaaS fees	-	4,500
- PaaS consultancy fees	4,050	-
	£ 2,491,764	£ 40,155

£804,000 (2018: £nil) of PaaS Development Fees were earned from the fellow subsidiary company, Azur Underwriting Limited.

6. Other income

	2019	2018
RDEC tax credits	**£ 317,931**	£ -

Research and Development Tax Credits ("RDEC") of £109,235 and £148,051 in respect of tax years 2017 & 2018 were received on 6 September 2019 and 20 January 2020, respectively. In accordance with accounting policy RDEC tax credits are grossed up at the prevailing rate of corporation tax and disclosed as Other Income.

7. Operating loss on ordinary activities before income tax

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

	2019	2018
Amortisation and Intangible asset impairment charge (Note 13)	**£ 95,485**	£ 193,550
Auditor remuneration (Note 9)	**£ 6,300**	£ 6,000

8. Information regarding employees

Employee expense	2019 £	2018 £
Wages and salaries	1,486,638	1,243,992
Share options granted to Directors and employees (Note 27)	755,217	(905)
Social security costs	199,976	156,120
Pension costs – defined contribution plans	60,626	48,323
Other staff costs	49,659	44,088
Total employee expense	**£ 2,552,116**	£ 1,491,618

The Company operates defined contribution pension plans. The total expense relating to these plans in the current financial year was £60,626 (2018: £48,323).

Average number of people employed	2019	2018
Average number of people (including executive Directors) employed:		
- Technology services	**18**	16

9. Auditor remuneration

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

	2019	2018
Fees payable to the Company's auditor and its associates for the audit of the financial statements	**£ 6,300**	£ 6,000

10. Finance costs

	2019 £	2018 £
Interest expense:		
- Shareholder loan (Note 26)	174,703	111,705
- Other finance costs	111	-
	£ 174,814	£111,705

11. Income tax credit

	2019	2018
	£	£
Current tax:		
Current tax on loss for the period	(436,443)	-
Adjustments in respect of prior years	-	-
Total current tax	**(436,443)**	-
Deferred tax (Note 23):		
Origination and reversal of temporary differences	(29,019)	(529,267)
Adjustment in respect of prior periods	-	18,460
Total deferred tax	**(29,019)**	(510,807)
Income tax credit	**£ (465,462)**	£ (510,807)

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

	2019	2018
	£	£
Loss before income tax	(963,731)	(3,300,707)
Tax calculated at standard rate of corporation tax in the UK for the year of 19% (2018:19%)	(183,109)	(627,134)
Tax effects of:		
- Fixed asset differences	15,289	-
- Expenses not deductible for tax purposes	145,583	873
- Other permanent differences	95	-
- Additional deduction for SME R&D expenditure	(521,775)	-
- Surrender of tax losses for SME R&D tax credit refund	135,448	-
- RDEC tax (adjustments)/credits	(60,407)	34,728
- Re-measurement of deferred tax due to change in the UK tax rate	3,414	80,726
Income tax credit	**£ (465,462)**	£ (510,807)

From 1 April 2020 the main rate of corporation tax in the United Kingdom is expected to remain at 19% compared to the previously announced reduction to 17%.

12. Property, plant and equipment

The Company no longer holds property, plant and equipment assets following the transfer of such assets to the fellow subsidiary company Azuru Services Limited in February 2018 at net book value (£8,130).

13. Intangible assets

	Software development costs
	£
Cost or valuation	
At 1 January 2019	575,488
Additions	-
At 31 December 2019	**575,488**
Amortisation and impairment	
At 1 January 2019	193,550
Amortisation charge for the year	95,485
At 31 December 2019	**289,035**
Net book value	
At 1 January 2019	£ 381,938
At 31 December 2019	**£ 286,453**

An impairment charge of £193,550 was recognised by the Company in September 2018 due to the release by software vendors of new, more highly configured software and the associated tools, necessitating the reconfiguration of completed development work.

14. Financial instruments by category

	31 December 2019 Loans and receivables	31 December 2018 Loans and receivables
	£	£
Assets per Statement of Financial Position		
Trade and other receivables, excluding prepayments and accrued income	600,620	2,100
Cash and cash equivalents	21,468	99,722
Total	**£ 622,088**	£ 101,822

	31 December 2019 Other financial liabilities at amortised cost	31 December 2018 Other financial liabilities at amortised cost
	£	£
Liabilities per Statement of Financial Position		
Current borrowings	250,408	375,938
Trade and other payables, excluding statutory liabilities	610,123	473,422
Non-current borrowings	5,082,225	4,883,893
Total	**£ 5,931,586**	£ 5,733,253

15. Trade and other receivables

	2019 £	2018 £
Other debtors	16,126	2,100
Tax receivable	584,494	-
Prepayments and accrued income	334,975	322,182
	£ 935,595	£ 324,282

Tax Receivable includes £148,051 (2018: £nil) of Research & Development Tax Credits and £436,443 (2018: £nil) of SME R&D Tax Credits receivable.

16. Cash and cash equivalents

	2019	2018
Cash at bank and in hand	**£ 21,468**	£ 99,722

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

	2019	2018
Cash and cash equivalents	**£ 21,468**	£ 99,722

17. Share capital

	Number of shares	Ordinary shares £
At 1 January 2019	75,000	75,000
At 31 December 2019	**75,000**	**£ 75,000**

The total number of ordinary shares is 75,000 shares with a par value of £1 per share. All issued shares are fully paid. Each ordinary share has full rights in the Company with respect to voting, dividends and distributions.

18. Other reserves

	Shares to be issued £
At 1 January 2019	100,537
Net capital contribution in respect of share options granted in the Parent Company (Note 27)	755,217
At 31 December 2019	**£ 855,754**

19. Retained earnings

	2019 £
At 1 January 2019	(4,345,737)
Loss for the period	(498,269)
At 31 December 2019	**£ (4,844,006)**

20. Borrowings

	2019	2018
Non-current		
Parent Company loan (Note 26)	**£ 5,082,225**	£ 4,883,893
Current		
Trade finance	**£ 250,408**	£ 375,938

21. Trade and other payables

	2019 £	2018 £
Other payables	13,376	51,582
Social security and other taxes	33,130	50,919
Accrued expenses	596,747	421,840
	£ 643,253	£ 524,341

22. Provisions for other liabilities and charges

	2019 £
Cancelled service premium provision:	
At 1 January 2019	-
Charged to income statement	17,931
At 31 December 2019	**£ 17,931**

23. Deferred tax

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

	2019	2018
Deferred tax assets:		
- Deferred tax asset to be recovered after more than 12 months	**£ 837,049**	£ 808,030

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

	2019 £
At 1 January 2019	808,030
Credit to income statement (Note 11)	29,019
At 31 December 2019	**£ 837,049**

The deferred tax assets arise as a result of past trading losses.

24. Cash absorbed by operations

	2019 £	2018 £
Loss before income tax	(963,731)	(3,300,707)
Adjustments for:		
- Amortisation and Intangible asset impairment charge (Note 13)	95,485	193,550
- Share-based payments (Note 18)	755,217	(905)
- Increase in trade and other receivables	(174,870)	(259,213)
- Increase in trade and other payables	273,443	152,179
- Increase in provisions (Note 22)	17,931	-
- Foreign currency (gains)/losses	(8,653)	31,687
Cash absorbed by operations	**£ (5,178)**	£ (3,183,409)

25. Ultimate Parent Company

The Company is a 100% subsidiary undertaking of Azur Group Holdings Limited, a company owned by a number of private and corporate shareholders which has no ultimate controlling party. Azur Group Holdings Limited is incorporated in England and Wales and has a registered address of First Floor Templeback, 10 Temple Back, Bristol, England, BS1 6FL.

26. Related parties

The following transactions were carried out with related parties.

Parent Company funding

During the year the Parent Company provided £0.2 million (2018: £2.92 million) of funding under an aggregate £10 million unsecured term credit facility. In addition to the existing £5 million unsecured term credit facility, repayable on 30 April 2022, the Parent Company extended an additional £5 million unsecured term credit facility on 2 January 2019, repayable on 29 February 2024 and on the same terms as the original £5 million loan facility. Interest on both facilities is payable at 3.5% and cash settled at annual intervals.

As at 31 December 2019, £5.08 million (2018: £4.88 million) remained outstanding to the Parent Company together with £131,877 (2018: £111,705) of accrued interest. Accrued interest of £154,531 (2018: £nil), covering the period 1 January 2018 to 31 March 2019 was cash settled on 30 April 2019 in accordance with the loan terms.

Accrued interest of £179,497, covering the period 1 April 2019 to 31 March 2020, was cash settled on 30 April 2020.

Transactions with related parties

In October 2019 £804,000 was received from the fellow subsidiary company Azur Underwriting Limited in respect of software development fees related to the development of the SMARTHome broker hub and underwriting and policy administration platform and product.

During the year the Company delivered a commercial underwriting platform for Ascot US Services Company LLC, a subsidiary company of a significant shareholder in the Group. Total PaaS development fees of $1,617,000 were charged during the year.

During the year the Company was charged net £284,544 (2018: £634,724) for the provision of financial and management accounting, HR, general management and compliance services by the affiliated company, Azuru Services Limited, offset by software license fees and technical support.

During the year the Company recovered £976,632 (2018: £240,549) from the fellow subsidiary company Azur Underwriting Limited for the provision of both technical support for the SMARTHome platform and data services.

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:

	2019 £	2018 £
Salaries and other short-term employee benefits	1,128,947	536,647
Post-employment benefits	28,749	25,366
Total	**£ 1,157,696**	**£ 562,013**

The highest-paid Director received emoluments of £240,275 (2018: £183,674) and pension contributions of £9,400 (2018: £8,313).

27. Share-based payments

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

The 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 2016:						
- 2017 grants	1	5,000	31/05/17	30/05/27	0.130	1.69
Azur Group EMI Option Plan 2019:						
- 2019 grants	13	329,000	16/09/19	15/09/29	0.258	4.48

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

	Number of recipients	**Optioned shares**	**Weighted average exercise price £**
Outstanding at 1 January 2019	8	124,500	0.087
Surrendered during the period	(7)	(119,500)	0.087
Granted during the period	13	329,000	0.258
Outstanding at the end of the period	**14**	**334,000**	**£ 0.256**
Exercisable at the end of the period	**11**	**134,998**	**£ 0.258**

No options were exercised during the year (2018: nil).

Of the 334,000 options outstanding, 134,998 were exercisable at the reporting date.

	2019	2018
Total share-based payment expense/(net write back) recognised	**£ 755,217**	£ (905)

27. Share-based payments (continued)

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

With the exception of one employee who is the recipient of a grant that subsists over 5,000 shares, all employees elected to surrender their options and duly did so on 9 August 2019.

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

On 12 September 2019 a new Enterprise Management Incentive Plan ("EMI Plan 2019") and set of associated rules was adopted by the Parent Company for the purpose of granting options to acquire shares in the Parent Company to qualifying employees of the Company as determined by the Group Remuneration Committee from time to time.

On 16 September 2019 a Deed of Grant was executed by the Parent Company granting options under the EMI Plan 2019 to 13 employees of the Company over 329,000 ordinary shares of £0.001 each in the Parent Company at an option price of 25.8 pence.

In addition to having a substantially higher market value at the time of grant, a significant element of the EMI Plan 2019 option grants had accelerated vesting conditions mirroring the vested status of the EMI Plan 2016 option grants they replaced.

On surrender of the EMI Plan 2016 options in August 2019, an amount representing the vested portion of the share options surrendered was credited to the Statement of Comprehensive Income. Following the grant of the replacement options in September 2019, the amount expensed to the Statement of Comprehensive Income in respect of the 329,000 new EMI Plan 2019 options reflected both their accelerated vesting and the new fair value at grant date. The net expense recognised in 2019 of £755,217 (2018: net write back of £905) reflects both the increase in fair value of the replacement EMI Plan 2019 options and the granting of additional option awards.

28. Events after the reporting period

On 1 January 2020, an employee providing technical support for the technology stack utilised by the Company's development team was transferred to the Company from the fellow subsidiary company Azuru Services Limited.

On 20 January 2020, the Company received a RDEC tax credit in the amount of £148,051.

In the week before the UK government mandated COVID-19 lock down on 23 March 2020, the Company adopted a remote-first working policy. With the depth and duration of the COVID 19 economic disruption unknow, consistent with the philosophy of "hope for the best, plan for the worst", the Directors implemented a series of cost-cutting initiatives in April 2020 to increase the business's resilience including the elimination of all discretionary expenditure, 12-month pay cuts for Executive Committee members and downsizing the office.

On 30 April 2020, accrued interest of £179,497, covering the period 1 April 2019 to 31 March 2020, was cash settled on the £10 million loan extended by the Parent Company.

28. Events after the reporting period (continued)

On 1 June 2020, recognising the potentially profound impact in the short, medium and long-term that COVID-19 will have on how, and how much, office space is used, the Company downsized its office moving to new premises, in the same vicinity as its previous office, at Linen Court, 10 East Road, London, N1 6AD.

Since the year end, the Company has signed a number of Statements of Work in the aggregate amount of $1million for the enhancement and extension of its US admitted lines underwriting platforms.