ANNUAL REPORT AND FINANCIAL STATEMENTS

2020

FOR THE PERIOD ENDED 31 DECEMBER 2020

AZUR INSURANCE HOLDINGS LIMITED

Registered number: 12111455

AZUR INSURANCE HOLDINGS LIMITED

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AZUR INSURANCE HOLDINGS LIMITED

COMPANY INFORMATION

Directors	Mr GA Elliott Mr I Pettifor
Company Secretary	Vistra Company Secretaries Limited
Company Number	12111455
Business Address	Linen Court 10 East Road London N1 6AD
Registered Address	First Floor Templeback 10 Temple Back Bristol BS1 6FL
Bankers	Lloyds Bank Plc 25 Gresham Street London EC2V 7HN
Independent Auditor	PKF Littlejohn LLP Statutory Auditor 15 Westferry Circus Canary Wharf London E14 4HD

The Directors present their Strategic Report for the Company for the period from 18 July 2019 to 31 December 2020.

Report of the business

Review of the business

The Company, Incorporated on 18 July 2019 was created as a holding company to house the regulated Insurance entities within the Azur Group. On the 20 September 2019 the accounting reference period was extended from 31 July 2020 to 31 December 2020 in line with that of other Azur Group entities.

On the 1 November 2019 a Share-for-Share Exchange was completed transferring the entire issued share capital of both Azur Underwriting Limited and Azur Underwriting (Ireland) Limited (formerly Azur UW Finance (Ireland) Limited) from the Parent Company Azur Group Limited (formerly Azur Group Holdings Limited) to the Company in consideration for the issuance and allotment of ordinary shares of £1.00 each in the capital of the Company to Azur Group Limited.

The retained loss for the financial period amounted to £4,973 and was transferred to reserves at the period end.

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 ultimate Parent Company return, whilst at the same time satisfying minimum capital resource requirements set by regulators and financial covenants in bank credit facilities, as and when the Company wishes to source such finance.

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

The following tables show the capitalisation and indebtedness of the Company at 31 December 2020:

Capitalisation and indebtedness	31 December 2020 £'000
Secured	-
Unguaranteed/unsecured	909
Total current and non-current debt	**909**
Share capital and share premium	211
Other reserves	-
Retained earnings	(5)
Shareholder's equity	**206**

Net indebtedness / resources

Cash	-
Total liquidity	-
Current bank debt	-
Other current financial debt	-
Current financial indebtedness	-
Net current financial liquidity	-
Non-current financial indebtedness	(909)
Net financial indebtedness	**(909)**

Notes
(1) The Company has no indirect or contingent indebtedness as at 31 December 2020.

Principal risks and uncertainties

Risk management objectives and policies

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

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

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

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

Financial risks

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

Financial risks (continued)

Credit risk

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

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 or equivalent EU Deposit Guarantee 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, notwithstanding the fact that its investment in the subsidiary company Azur Underwriting (Ireland) Limited is Euro denominated, in that the Company's revenues, recharges and material expenditure are predominantly denominated in Pounds Sterling and Euros.

Interest rate risk

Interest rate risk is the risk of adverse changes (effectively increases) in market interest rates and 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.

Non-financial risks

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

Reputational risk

Reputational risk is the risk that the Company's ability to conduct business will be damaged as a result of its reputation being tarnished, including as a result of regulatory censure of its subsidiary companies. 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 by the subsidiary companies, the taking-on of new business, the countering of fraud and corruption and the conducting of business in a client-centric and ethical manner.

Non-financial risks (continued)

Reputational risk (continued)

As a holding company, the Directors recognise that the success of the Company is inextricably linked to that of its subsidiary companies. Within the niche sectors they serve the subsidiary companies are 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 Company to continue to grow in 2021 and thereafter through the support of the subsidiary companies' insurance intermediation businesses.

Going concern

The board of directors have considered the financial position of the Company as at 31 December, 2020 and the projected cash flows and financial performance of the Company for at least twelve months from the date of approval of these financial statements. After making appropriate enquiries, the Directors believe that the subsidiary company, Azur Underwriting Limited will remain cash generative for the foreseeable future and that the Parent Company has sufficient liquid resources to fund any additional investment that the Company may wish to make in either Azur Underwriting Limited or Azur Underwriting (Ireland) Limited. The board of directors, therefore, believe that appropriate long-term cash resources are in place at the date of signing the accounts to fund the Company's operations.

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
15 April 2021

The Directors present their report and the audited financial statements for the period from 18 July 2019 to 31 December 2020.

General Information

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

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 6 and form part of this report by cross-reference.

Dividends

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

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 that its subsidiary companies 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 subsidiary companies who become disabled to continue in their employment or to be retrained for other positions in the subsidiary 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 of its subsidiary companies in the performance and development of the Company and its subsidiary companies' products and services. Its approach to employee development offers continual challenges in the job, learning opportunities and personal development.

The Company encourages all its subsidiary companies' employees to participate fully in the business through open dialogue. Employees receive news of the Company and its subsidiary companies through senior management presentations, frequent email notices and postings on the Company's intranet. The Company's subsidiary companies maintain 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 subsidiary company.

Directors

The Directors of the Company during the period from 18 July 2019 to 31 December 2020, together with their dates of appointment and/or resignation as applicable, were:

	Date of appointment	Date of resignation
Mr GA Elliott	18 July 2019	-
Mr I Pettifor	18 July 2019	-

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 Limited.

Directors' indemnity

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

Provision of information to auditor

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

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

Auditor

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

This report was approved by the Board on 16 April 2021 and signed on its behalf.

Ian Pettifor
Director
15 April 2021

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 accounting standards in conformity with the requirements of the Companies Act 2006.

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

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

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

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

Opinion

We have audited the financial statements of Azur Insurance Holdings Limited (the "Company") for the year ended 31 December 2020 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 accounting standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the period then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements 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 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 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 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:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and 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 their 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 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 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.

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 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 and audit experience.

- We determined the principal laws and regulations relevant to the Company in this regard to be those arising from 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.
    - Enquiries of management.
- 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.
- 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: *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

15 April 2021

AZUR INSURANCE HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
for the period from 18 July 2019 to 31 December 2020

	Note	2020 £
Loss from Operations		
Administrative expenses	5	(2,052)
Operating Loss		(2,052)
Finance costs	7	(4,088)
Loss on Ordinary Activities before Income Tax		(6,140)
Income tax credit	9	1,167
Loss on Ordinary Activities for the Period		**(4,973)**
Other Comprehensive Income for the Period, Net of Tax		-
Total Comprehensive Loss for the Period		**£ (4,973)**

The accounting policies and notes on pages 17 to 33 form part of these financial statements.

AZUR INSURANCE HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION
for the period ended 31 December 2020

	Note	2020 £
Assets		
Non-current Assets		
Investments	8	214,193
Other loans and receivables	15	836,509
Deferred tax	17	1,167
		1,051,869
Current Assets		
Other loans and receivables	15	73,003
Cash and cash equivalents	11	141
		73,144
Total Assets		**£ 1,125,013**
Equity and Liabilities		
Equity Attributable to Shareholders		
Share capital	12	211,358
Retained earnings	13	(4,973)
Total Equity		**206,385**
Liabilities		
Non-current Liabilities		
Borrowings	14	908,595
		908,595
Current Liabilities		
Trade and other payables	16	10,033
		10,033
Total Liabilities		**918,628**
Total Equity and Liabilities		**£ 1,125,013**

The accounting policies and notes on pages 17 to 33 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 15 April 2021, and were signed on its behalf by:

Ian Pettifor
Director
Company number 12111455

AZUR INSURANCE HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY
for the period from 18 July 2019 to 31 December 2020

		Attributable to Equity Shareholders of the Company		
	Note	**Share capital**	**Retained earnings**	**Total**
		£	**£**	**£**
Balance as at 18 July 2019		-	-	-
Loss for the period		-	(4,973)	(4,973)
Other Comprehensive Income		-	-	-
Total Comprehensive Income		**-**	**(4,973)**	**(4,973)**
Transactions with Owner				
Proceeds from shares issued	12	211,358	-	211,358
Total Transactions with Owner Recognised Directly in Equity		**211,358**	**-**	**211,358**
Balance as at 31 December 2020		**£ 211,358**	**£ (4,973)**	**£ 206,385**

The accounting policies and notes on pages 17 to 33 form part of these financial statements.

AZUR INSURANCE HOLDINGS LIMITED

STATEMENT OF CASH FLOWS
for the period from 18 July 2019 to 31 December 2020

	Note	2020 £
Cash Flows from Operating Activities		
Cash absorbed by operations	19	(72,046)
Net Cash Absorbed by Operating Activities		**(72,046)**
Cash Flows from Investing Activities		
Interest received		100
Loans to related parties	15	(836,509)
Net Cash Used in Investing Activities		**(836,409)**
Cash Flows from Financing Activities		
Proceeds from issuance of ordinary shares	12	1
Proceeds from borrowings	14	908,595
Net Cash Generated from Financing Activities		**908,596**
Net Increase in Cash, Cash Equivalents and Bank Overdrafts		**141**
Cash, cash equivalents at beginning of period	11	-
Cash and Cash Equivalents at End of period	11	**£ 141**

The Company acquired from its Parent Company the entire issued share capital of both Azur Underwriting Limited and Azur Underwriting (Ireland) Limited in consideration for the issue and allotment of ordinary shares of the Company to Azur Group Limited (Note 12). As a Share-for-Share exchange, this transaction does not form part of the Statement of Cash Flows.

The accounting policies and notes on pages 17 to 33 form part of these financial statements.

1. General Information

Azur Insurance Holdings 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.

Basis of preparation

The financial statements of Azur Insurance Holdings Limited have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 to the financial statements, are disclosed in Note 4.

These financial statements have been prepared for the period 18 July 2019 (date of incorporation of the Company) to 31 December 2020. This being the first financial statements of the Company, there are no prior period comparatives.

The Company is exempt from preparation of the consolidated financial statements as the Parent Company (Azur Group Limited) is preparing the consolidated financial statements incorporating the standalone financial statements of the Company and its subsidiaries. These financial statements, therefore, present information about the Company as an individual undertaking and not about its Group.

Going concern

As a holding company the Company finances equity and debt investments in its subsidiary companies through the issuance of equity shares and back-to-back loans, respectively, to the Parent Company. The Company incurs modest operating costs in its own right.

The board of directors have considered the financial position of the Company as at 31 December, 2020 and the projected cash flows and financial performance of the Company for at least twelve months from the date of approval of these financial statements. After making appropriate enquiries, the Directors believe that the subsidiary company, Azur Underwriting Limited will remain cash generative for the foreseeable future and that the Parent Company has sufficient liquid resources to fund any additional investment that the Company may wish to make in either Azur Underwriting Limited or Azur Underwriting (Ireland) Limited. The board of directors, therefore, believe that appropriate long-term cash resources are in place at the date of signing the accounts to fund the Company's operations.

Accordingly, these financial statements have been prepared on a Going Concern Basis

2. Summary of significant accounting policies (continued)

Changes in accounting policies and disclosures

New standards and interpretations not yet adopted

A number of amendments to standards and interpretations are effective for annual periods beginning after 1 January 2021 and have not been applied in preparing these financial statements. None of these are 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 the 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 period-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 Finance Costs. 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.

2. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

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

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 (Losses)/Gains – Net" in the income statement.

Investments

Investments represent investments in entities over which the Company has control ("subsidiary undertakings"). The Company controls an entity when the Company 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.

Investments in subsidiary undertakings are recorded at cost, which is the fair value of the consideration paid or the equity or debt interests issued by the Company.

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.

Financial assets

The Company classifies its financial assets into the following categories:

- Amortised Cost
- Fair Value through Other Comprehensive Income ("FVTOCI")
- Fair Value through profit or loss ("FVTPL")

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

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

a) the 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 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 recognises a loss allowance at an amount equal to lifetime expected credit losses ("ECLs").

The Company 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 Company segregates its trade receivables if its historical credit loss experience shows significant different loss patterns for different customer segments.

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.

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 income and expense transfers due from group undertakings 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.

2. Summary of significant accounting policies (continued)

Financial assets (continued)

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.

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 group undertakings and 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 group undertaking for which payment has already been received, or is due, from the group undertaking, 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) that need 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 the facility will be drawn down. To the extent that there is no evidence that it is probable that some or all 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.

2. Summary of significant accounting policies (continued)

Financial liabilities (continued)

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.

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).

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 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.

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 entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. Summary of significant accounting policies (continued)

Employee benefits

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

Pension obligations

A defined contribution plan is a pension plan under which the subsidiary companies pay fixed contributions into a separate entity. The subsidiary companies have 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 subsidiary companies pay contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The subsidiary companies have 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 the future payments is available.

Bonus plans

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

Share-based payments

Share options in the ultimate parent undertaking are granted to Directors and selected subsidiary company 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 the employee services received in exchange for the grant of the options is recognised as an expense and the corresponding entry treated as a capital contribution in other reserves. The total amount to be expensed is determined by reference to the fair value of the options granted:

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

At the end of each reporting period, the subsidiary 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 Limited.

Provisions

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

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 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.

<u>Other income</u>

Interest income from a financial asset is recognised using the effective interest rate method. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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 Group 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;
- The Company has the right to direct the use of the asset.

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 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 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.

<u>Short term leases and leases of low-value assets</u>

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

Credit risk

Credit risk arises from cash and cash equivalents and deposits maintained with banks and financial institutions.

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

Liquidity risk

Cash flow forecasting is performed at both a Company and 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 Company'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 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 2020				
Borrowings	-	-	£ 908,595	-
Trade and other payables	£ 10,033	-	-	-

Foreign exchange risk

Foreign exchange risk arises from adverse changes 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 borrowings, advances and investments were predominantly denominated in Pounds Sterling and Euros.

3. Financial risk management (continued)

Financial risk factors (continued)

Interest rate risk

Since all the instruments are fixed interest rates basis, the Company is not exposed to fluctuations in market rates of interest.

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.

There are no critical accounting estimates and judgements that have been used in the preparation of these financial statements.

5. Administrative expenses

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

	2020
	£
Interest income	(1,107)
Auditor remuneration (Note 6)	5,000

6. Auditor remuneration

During the period, the Company obtained the following services from the auditor and its associates.

	2020
Fees payable to the Company's auditor for the audit of the financial statements	**£ 5,000**

7. Finance costs

	2020
	£
Interest expense:	
- Shareholder loan (Note 15)	4,039
- Other finance costs	49
	£ 4,088

8. Investments

Principal subsidiaries

Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares held directly by the Company (%)
Azur Underwriting (Ireland) Limited	Dublin, ROI	Insurance intermediary	100%
Azur Underwriting Limited	England, UK	Insurance intermediary	100%

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 subsidiary undertakings are recorded at cost, which is the fair value of the consideration paid.

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

Investments in subsidiaries

	Shares in group undertakings £
Cost and net book value:	
At 18 July 2019	-
- Additions during the period	214,193
31 December 2020	**£ 214,193**

On the 1 November 2019 a Share-for-Share Exchange was completed whereby the Company acquired the entire issued share capital of both Azur Underwriting Limited and Azur Underwriting (Ireland) from the Parent Company Azur Group Limited in consideration for the issue and allotment of ordinary shares in the Company to the Parent Company.

9. Income tax

	2020 £
Current tax:	
Current tax on loss for the period	-
Total current tax	-

9. Income tax (continued)

Deferred tax (Note 17):	
Origination and reversal of temporary differences	1,167
Adjustments in respect of prior periods	-
Total deferred tax	1,167
Income tax credit	**£ 1,167**

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 profits/(losses) of the Company, as follows:

	2020 **£**
Loss before tax	**(6,140)**
Tax calculated at standard rate of corporation tax in the UK for the period of 19%	1,167
Income tax credit	**£ 1,167**

10. Financial instruments by category

	31 December 2020 **Loans and receivables** **£**
Assets per Statement of Financial Position	
Other loans and receivables	909,512
Cash and cash equivalents	141
Total	**£ 909,653**

10. Financial instruments by category (continued)

	31 December 2020 Other financial liabilities at amortised cost £
Liabilities per Statement of Financial Position	
Borrowings	908,595
Trade and other payables, excluding statutory liabilities	9,033
Total	**£ 917,628**

11. Cash and cash equivalents

	2020
Cash at bank and in hand	**£ 141**

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

	2020
Cash and cash equivalents	**£ 141**

12. Share capital

	Number of shares	Ordinary shares £	Total £
Opening balance	-	-	-
Ordinary shares issued 18 July 2019	1	1	1
Ordinary shares issued 1 November 2019	211,357	211,357	211,357
At 31 December 2020	**211,358**	**£ 211,358**	**£ 211,358**

At incorporation on 18 July 2019, 1 ordinary share of £1 each was issued at par to Azur Group Limited.

On 1 November 2019, pursuant to a share-for-share exchange:

- 125,000 ordinary shares of £1 each were issued at par in exchange for the entire issued share capital of 125,000 ordinary shares of £1 each of Azur Underwriting Limited; and.
- 86,357 ordinary shares of £1 each were issued at par in exchange for the entire issued share capital of 100,000 ordinary shares of €1 each of Azur Underwriting (Ireland) Limited.

13. Retained earnings

	2020
At 18 July 2019	-
Loss for the period	(4,973)
At 31 December 2020	**£ (4,973)**

14. Borrowings

	2020
Non-current	
Intercompany loans	**£ 908,595**

Summary of borrowings

Lender	Loan type	Maturity date	Interest rate	Principal amount £	Fair value £
Azur Group Limited	Unsecured bullet term loan	16 December 2025	3.5% p.a.	908,595	908,595

On 16 December 2020 Azur Group Limited extended an unsecured non-amortising Sterling 5-year term loan facility for a total principal amount not exceeding £3,750,000. Amounts drawn down are repayable on or before 26 December 2025 and accrue interest at 3.5% p:a. As at 31 December 2020, £908,595 has been drawn down against this facility.

15. Other loans and receivables

	2020
Non-current	
Intercompany loans receivable (Note 20)	**£ 836,509**

	2020 £
Current	
Other receivables	71,996
Prepayments and accrued income	1,007
	£ 73,003

16. Trade and other payables

	2020
Accrued expenses and deferred income	**£ 10,033**

17. Deferred income tax

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

	2020
Deferred tax assets:	
- Deferred tax asset to be recovered after more than 12 months	**£ 1,167**

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

	2020 £
At 18 July 2019	-
Income statement credit (Note 9)	1,167
At 31 December 2020	**£ 1,167**

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 forecasts and expect the full amounts to be recoverable.

18. Ultimate Parent Company

The Company's immediate and ultimate parent company, into the financial statements of which its results are consolidated, is Azur Group Limited, a company owned by several private and corporate shareholders which has no ultimate controlling party. Azur Group Limited is incorporated in England and Wales and has a registered address of First Floor Temple Back, 10 Temple Back, Bristol, England, BS1 6FL

19. Cash flow from operations

Company

	2020 **£**
Loss before income tax	(6,140)
Adjustments for:	
- Interest received	(100)
- FX gain	(2,836)
- Increase in other receivables	(73,003)
- Increase in trade and other payables	10,033
Cash absorbed by operations	**£ (72,046)**

20. Related parties

The following transactions were carried out with related parties:

Loan provided by Parent Company

A non-amortising Sterling loan facility arrangement was entered into between Azur Group Limited and the Company on 16 December 2020, for a total principal amount not exceeding £3,750,000. The loan is repayable on 16 December 2025, carries interest at 3.5% and is unsecured.

As at 31 December 2020, £908,595 had been drawn down against the facility with £3,766 of accrued interest payable.

Loans to subsidiary undertakings

Long-term cash financing is provided to subsidiary undertakings The outstanding receivable balance is £836,509 as at 31 December 2020 (Note 15).

Azur Underwriting Limited

On 16 December, 2020 the Company extended a £3 million unsecured term credit facility to the subsidiary company Azur Underwriting Limited. Amounts drawn down under this facility are repayable on 15 December 2025. Interest is payable at 3.5% and cash settled at annual intervals.

As at 31 December 2020, £750,000 had been drawn down against the facility with £ 279 of accrued interest receivable.

20. Related parties (continued)

Loans to subsidiary undertakings (continued)

Azur Underwriting (Ireland) Limited

On 16 December 2020 the Company extended a £500,000 unsecured term credit facility to the subsidiary company Azur Underwriting (Ireland) Limited Amounts drawn down under this facility are repayable on 15 December 2025, with interest payable at 3.5% to be cash-settled at annual intervals.

This facility supplements the existing €240,000 term credit facility extended on 19 November 2019. Amounts drawn down under this facility are repayable on 31 October 2024, with interest payable at 3.5% to be cash-settled at annual intervals.

As at 31 December 2020, £86,509 in aggregate had been drawn down against the two facilities with £728 of accrued interest receivable.

Other receivables from subsidiary undertakings

In addition to amounts drawn down under the facility agreements, as at 31 December 2020 £71,996 was outstanding from subsidiary undertakings in the ordinary course of business, representing income/expense transfers (Note 15). As trade receivables, no interest is levied on amounts outstanding which are settled on a regular, generally monthly, basis.

Treasury management transactions with subsidiary undertakings

As part of the Azur Group's treasury management procedures, the subsidiary undertaking Azur Underwriting (Ireland) Limited deposits surplus Euros with the Company as and when material surpluses arise. During the period the Company £995 of interest expense accrued on such deposits.

21. Events after the reporting period

There are no significant post balance sheet events to report.