# Insurance Holdings Ltd.

**Registered Number: 05601837**

# ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2023**

# COMPANY INFORMATION

| | |
|---|---|
| **Directors** | Noel C. Lenihan<br>David J. Ezzard<br>Sami S. Sulaiman |
| **Registered number** | 05601837 |
| **Registered office** | Mezzanine Floor<br>75 King William Street<br>London<br>EC4N 7BE |
| **Independent auditors** | Ernst & Young LLP<br>25 Churchill Place<br>Canary Wharf<br>London<br>E14 5EY |

# CONTENTS

# GROUP STRATEGIC REPORT

The Directors present their strategic report together with the audited Consolidated Financial Statements for the year ended 30 June 2023.

## REVIEW AND ANALYSIS OF THE GROUP'S BUSINESS DURING THE CURRENT YEAR

### Principal activities

Insurance Holdings Ltd's ("the Company") principal activity remains that of a holding company. The principal activities of the subsidiaries during the year were that of Authorised Insurance Intermediaries and accepting business on behalf of insurance companies onto Delegated Authorities.

The Insurance Holdings Ltd Group ("the Group") continued its principal activities throughout the current year.

### Business review for the financial year

The objective of the Group is to generate sustainable growth through its ongoing principal activities. Management is delighted to report that revenue for the period is £18.2m (2022: £15.3m) and earnings before interest, tax depreciation and amortisation (EBITDA) is £5.9m (2022:£4.5m), a margin of 32% (2022: 29%) during the current period. The Group measures activity and performance including:

- Monthly income and expenditure against budgets and prior year.
- Prudent capital margins.
- Contract certainty.
- Treating customers fairly.
- The timely collection of insurance amounts from clients and their onward settlement to underwriters.

All divisions within the Group are operated with a view to profitable, compliant growth and all are achieving this objective. Carrolls continues to grow as we invest in on-line platforms and increased business from our distribution base.

The Group has prepared cash flow forecasts and operational plans, which demonstrate that the Group can meet its day-to day-working capital requirements.

### Key performance indicators

Management used a range of financial and non-financial key performance indicators to measure the performance of the Group throughout the year. These include Operational KPIs such as response times on claims settlements and client queries, Compliance KPIs in respect of general procedures, and Human Resources KPIs such as monitoring of staff numbers and joiners and leavers during the year.

Revenue and earnings before interest, tax, depreciation and amortisation (EBITDA) are reviewed monthly against agreed budgets and prior year performance, and variances investigated.

# GROUP STRATEGIC REPORT (continued)

## Revenue

As reported in the Consolidated Statement of Profit or Loss and Comprehensive Income, revenue increased from £15.3m to £18.2m during the current year. This represents an increase of 19% mainly attributable to increased trading performance from organic growth. Management is therefore pleased with the underlying performance of the business and the prospects for future growth and development.

## EBITDA

Earnings before interest, tax, depreciation and amortisation increased from £4.5m to £5.9m during the current year. The EBITDA as a percentage is an increase of 32%. This increase is due to organic growth particularly in the UK wholesale market.

## Consolidated financial position at the reporting date

The Consolidated Statement of Financial Position shows that net assets have increased from £10.1m to £12.6m.

## PRINCIPAL RISKS AND UNCERTANTIES FACING THE GROUP

Management monitors the principal risks and uncertainties facing the Group, and assess the controls in place to mitigate these risks through the application of the risk register as reported and reviewed by the Management Committee, Corporate Governance Committee and the Board of Directors. This is also monitored and controlled through the Board's strategic review and planning process. The Board maintains a regular review of risk via its Board reporting, Compliance, Governance and Operational meetings to ensure risks are identified in a timely manner and mitigated wherever possible.

The principal areas of risk remain those of commercial, exchange rate, credit, regulatory, climate change, economic, interest rate, inflation and major external event, as shown below:

## Commercial risk

The Group operates in a highly competitive and dynamic market with an ever-present risk of clients changing their risk appetite, consolidating or moving to another intermediary. Market competition also brings rating/pricing uncertainty, leading to budgeting risk. Commercial risks, including risks associated with consolidation, are mitigated through the diverse nature of the Group's client base and production sources, both internal and external.

## Exchange rate risk

A proportion of the Group's revenue is generated in foreign currencies. Management regularly reviews the need to hedge foreign currency revenue.

# GROUP STRATEGIC REPORT (continued)

## Credit risk

There is a risk that third party debtors do not settle amounts due and management ensure that appropriate systems are in place to mitigate this, including the operation of the Trading Partner Review committee and the on-boarding process for clients and trading partners.

## Regulatory risk

The Group's ability to continue in operation is dependent on ongoing authorisation from its statutory regulator, the Financial Conduct Authority (FCA), in respect of its regulated trading subsidiary. Financial performance could be affected materially by regulatory penalties or restrictions on the Group's operations or officers, should the Group fail to comply with relevant regulatory requirements.

Management mitigates the risk that such authorisation might be withdrawn or reduced in scope by investment in strong compliance procedures and by embedding compliance within the Group's culture. The Group's Head of Compliance oversees the Group's compliance processes and its relationship with the FCA and coordinates monthly compliance KPI reporting which is then reviewed by the Group's Executive Management Committee. Annual employee training includes compliance models and staff completion of these are monitored monthly. The finance function also liaises with the Head of Compliance to ensure the Group meets its fiduciary responsibilities in respect of client money / insurer money held under risk transfer agreements.

## Climate change risk

The Group is a services-based organisation operating with a limited environmental footprint. Despite this, we remain conscious of the global climate pressures and are committed to minimising the environmental impacts of our business.

Whilst climate change poses risk to both our clients and risk carriers, as an intermediary we are not directly exposed to those risks. Notwithstanding, we need to understand these changing risks and help ensure that our clients' needs continue to be met.

## Economic, interest rate, and inflation risk

The Group is watching the current environment in the UK. As the provider of a largely non-discretionary product, our business is better insulated than many in the event of economic downturn. Should inflation rates persist, it is likely to impact insurance prices as a result of claims inflation. The Group has an inherent hedge for interest rate changes as rate rises for group borrowings are offset by rate rises on client money balances held.

# GROUP STRATEGIC REPORT (continued)

Major external event

The Group maintains and reviews a Business Continuity Plan in order to mitigate the risk of a major external event, which could result in the Group being unable to service clients, and the potential for exposure to breaching FCA rules, loss of key staff, potential professional indemnity issues and the ultimate demise of the business. The plan to mitigate the potential of a major external event impacting in this detrimental way, includes use of secondary office locations, immediate documentation recovery and remote working facilities and was tested for a considerable amount of time during the COVID pandemic. These arrangements have proved robust and service levels have been maintained.

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

N C Lenihan
Director

Date: 13 November 2023

# DIRECTORS' REPORT

The Directors present their report and the consolidated financial statements for the year ended 30 June 2023.

Results and dividends

The profit for the year, after taxation, amounted to £3.6m (2022 £2.5m). Dividends paid during the year were £1.1m (2022: £Nil).

Directors

The Directors who served during the year were:

Noel Lenihan

David Ezzard

Sami Sulaiman

Future developments

The Company continues to seek opportunities for further growth and improved operating efficiency.

Qualifying third party indemnity provisions

A subsidiary undertaking of the Company has purchased and maintained directors' and officers' liability insurance for the Company and its Directors throughout the year.

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Going concern

The Group and the Company meets its day-to-day working capital requirements through its cash reserves and ongoing cash generation and has no borrowings other than internal debt in the wider group. The Group's forecasts and projections, taking account of realistic possible changes in trading performance, show that the Group and the Company has adequate financial resources to continue its operations for a period of 14 months from the approval of the Group and the Company financial statements. The Group and the Company therefore continue to adopt the going concern basis of preparing its consolidated and individual financial statements.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

# DIRECTORS' REPORT (continued)

Auditors

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board on 13 November 2023 and signed on its behalf.

N C Lenihan
Director

# DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2023

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with UK-adopted international accounting standards ("IFRSs"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and company financial position and financial performance;
- in respect of the group financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent company financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and/ or the Group will continue in business.

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

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INSURANCE HOLDINGS LIMITED
FOR THE YEAR ENDED 30 JUNE 2023

## Opinion

We have audited the financial statements of Insurance Holdings Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 30 June 2023 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Financial Position, the Consolidated and Parent Statement of Changes in Equity, the Consolidated and Parent Statement of Cash Flows and the related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 30 June 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period of 12 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INSURANCE HOLDINGS LIMITED (continued)

FOR THE YEAR ENDED 30 JUNE 2023

## 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 this 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 the 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 directors' report have been prepared in accordance with applicable legal requirements.

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

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

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

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

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, 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.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INSURANCE HOLDINGS LIMITED (continued)
FOR THE YEAR ENDED 30 JUNE 2023

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. 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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the direct laws and regulations related to elements of company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulation that may have a material effect on the financial statements included permissions and supervisory requirements of the Financial Conduct Authority ('FCA').
- We understood how the company is complying with those frameworks by making enquiries of management and those responsible for legal and compliance matters. We also reviewed significant correspondence between the company and UK regulatory bodies, reviewed minutes of the Board and gained an understanding of the company's approach to governance.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, including complex transactions, performance targets, external pressures, and the impact the impact these have on the control environment and their potential to influence management to manage earnings or influence the perceptions of stakeholders. The fraud risk was considered to be higher within recognition of brokerage and fee revenue subject to manual elements and impairment of goodwill and intangibles. Our procedures included:
    - Considering the effectiveness of management's controls designed to address the risk of fraud;
    - Testing of journal entries and other adjustments in the preparation of the financial statements;

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INSURANCE HOLDINGS LIMITED (continued)
FOR THE YEAR ENDED 30 JUNE 2023

- For the recognition of manual revenue, testing the adjustments made by management via recalculation of the manual revenue element based on underlying supporting documents;
- For the valuation of goodwill and intangibles, critically assessing the model and testing the reasonableness of the assumptions used by management with a particular focus on key assumptions such as discount rate and terminal growth rate and assessing the need for any impairment;
- Assessing accounting estimates for evidence of management bias; and
- Evaluating the business rationale for significant and/or unusual transactions

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved making enquiry of those charged with governance and senior management for their awareness of any non-compliance with laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the company's methods of enforcing and monitoring compliance with such policies and reviewing of the complaints register.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://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 members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Ernst & Young LLP
95B64777B923407...

*Giles Watson (Senior statutory auditor)*
*for and on behalf of Ernst & Young LLP, Statutory Auditor*
*Manchester*

*13 November 2023*

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

| | Notes | 30-Jun 2023 £'000 | 30-Jun 2022 £'000 |
|---|---|---|---|
| **Revenue and other income** | | | |
| Fee and commission income | 4 | 16,258 | 13,885 |
| Other revenue | 4 | 1,850 | 1,415 |
| Interest income | 4 | 34 | - |
| Share of equity accounted results | 4 | 58 | 48 |
| | 4 | **18,200** | **15,348** |
| **Expenses** | | | |
| Administration and other expenses | 5 | (1,431) | (1,415) |
| Depreciation expense - property, plant and equipment | 13 | (177) | (197) |
| Depreciation expense - right-of-use assets | 15 | (479) | (426) |
| Amortisation expense | 14 | (163) | (152) |
| Employee salaries and benefits expense | | (9,965) | (8,612) |
| Finance costs | | (167) | (233) |
| Finance costs - lease liabilities | 17 | (247) | (267) |
| Information technology costs | | (664) | (671) |
| Professional fees | | (233) | (167) |
| | | **(13,526)** | **(12,140)** |
| **Profit before income tax expense** | | **4,674** | **3,208** |
| Income tax expense | 6 | (1,082) | (662) |
| **Net profit from continuing operations** | | **3,592** | **2,546** |
| Attributable to: | | | |
| Equity holders of parent | | 3,518 | 2,493 |
| Non-controlling interest | | 74 | 53 |
| | | **3,592** | **2,546** |

There was no other comprehensive income for 2023 (2022: £0).

The above statement should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

| | Notes | 30-Jun 2023 £'000 | 30-Jun 2022 £'000 |
|---|---|---|---|
| Current assets | | | |
| Cash and cash equivalents | 7 | 1,333 | 1,892 |
| Financial assets - trust cash | 8 | 10,260 | 10,371 |
| Receivables | 9 | 8,948 | 5,958 |
| Other assets | 10 | 580 | 583 |
| Bonds and deposits | 11 | 328 | 328 |
| **Total current assets** | | **21,449** | **19,132** |
| Non-current assets | | | |
| Equity accounted investments | 12 | 150 | 92 |
| Property, plant and equipment | 13 | 401 | 470 |
| Intangible assets | 14 | 8,424 | 8,587 |
| Right of use asset | 15 | 3,167 | 3,146 |
| Deferred tax asset | 6 | 12 | 43 |
| **Total non-current assets** | | **12,154** | **12,338** |
| **Total assets** | | **33,603** | **31,470** |
| Current liabilities | | | |
| Payables | 16 | 11,368 | 11,004 |
| Current tax liabilities | 6 | 655 | 580 |
| Lease liabilities | 17 | 499 | 390 |
| Contract liabilities - deferred revenue | 18 | 389 | 399 |
| **Total current liabilities** | | **12,911** | **12,373** |
| Non-current liabilities | | | |
| Related party loans | 16 | 4,401 | 5,342 |
| Deferred tax liabilities | 6 | 185 | 116 |
| Lease liabilities | 17 | 3,481 | 3,498 |
| **Total non-current liabilities** | | **8,067** | **8,956** |
| **Total liabilities** | | **20,978** | **21,329** |
| **Net assets** | | **12,625** | **10,141** |
| Equity | | | |
| Share capital | 19 | 186 | 186 |
| Retained earnings | 20 | 12,202 | 9,792 |
| **Equity attributable to owners of Insurance Holdings Ltd** | | **12,388** | **9,978** |
| Non-controlling interests | | 237 | 163 |
| **Total equity** | | **12,625** | **10,141** |

The above statement should be read in conjunction with the accompanying notes.

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 13 November 2023.

N. Len

NC Lenihan
Director

# PARENT COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

| | Notes | 30-Jun 2023 £'000 | 30-Jun 2022 £'000 |
|---|---|---|---|
| Current assets | | | |
| Cash and cash equivalents | 7 | 6 | 35 |
| Receivables | 9 | 1,217 | 30 |
| Current tax assets | 6 | - | 37 |
| Other assets | 10 | 255 | 283 |
| Bonds and deposits | 11 | 328 | 328 |
| **Total current assets** | | **1,806** | **713** |
| Non-current assets | | | |
| Financial assets - investments in subsidiaries | 21 | 13,855 | 13,855 |
| Property, plant and equipment | 13 | 198 | 267 |
| Right of use asset | 15 | 2,728 | 3,146 |
| Deferred tax assets | 6 | - | 15 |
| **Total non-current assets** | | **16,781** | **17,283** |
| **Total assets** | | **18,587** | **17,996** |
| Current liabilities | | | |
| Payables | 16 | 4,213 | 175 |
| Current tax liabilities | 6 | 302 | - |
| Lease liabilities | 17 | 445 | 390 |
| **Total current liabilities** | | **4,960** | **565** |
| Non-current liabilities | | | |
| Related party loans | 16 | 4,401 | 12,466 |
| Deferred tax liabilities | 6 | 49 | - |
| Lease Liabilities | 17 | 3,062 | 3,498 |
| **Total non-current liabilities** | | **7,512** | **15,964** |
| **Total liabilities** | | **12,472** | **16,529** |
| **Net assets** | | **6,115** | **1,467** |
| Equity | | | |
| Share capital | 19 | 186 | 186 |
| Retained earnings | 20 | 5,929 | 1,281 |
| **Total equity** | | **6,115** | **1,467** |

The above statement should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## For The Year Ended 30 June 2023

| | Share capital £'000 | Retained Earnings £'000 | Non-controlling Interest £'000 | Total Equity £'000 |
|---|---|---|---|---|
| **Balance as at 1 July 2021** | **186** | **7,299** | **110** | **7,595** |
| Profit for the year | - | 2,493 | 53 | 2,546 |
| **Total comprehensive income for the year** | **-** | **2,493** | **53** | **2,546** |
| **Transactions with owners in their capacity as owners:** | | | | |
| **Total transactions with owners** | **-** | **-** | **-** | **-** |
| **Balance as at 30 June 2022** | **186** | **9,792** | **163** | **10,141** |

| | Note | Share capital £'000 | Retained Earnings £'000 | Non-controlling Interest £'000 | Total Equity £'000 |
|---|---|---|---|---|---|
| **Balance as at 1 July 2022** | | **186** | **9,792** | **163** | **10,141** |
| Profit for the year | | - | 3,518 | 74 | 3,592 |
| **Total comprehensive income for the year** | | **-** | **3,518** | **74** | **3,592** |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Dividends paid | 20 | - | (1,108) | - | (1,108) |
| **Total transactions with owners** | | **-** | **(1,108)** | **-** | **(1,108)** |
| **Balance as at 30 June 2023** | | **186** | **12,202** | **237** | **12,625** |

The above statement should be read in conjunction with the accompanying notes.

# PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

## For The Year Ended 30 June 2023

| | Share capital £'000 | Retained Earnings £'000 | Total Equity £'000 |
|---|---|---|---|
| **Balance as at 1 July 2021** | **186** | **1,012** | **1,198** |
| Profit for the year | - | 269 | 269 |
| **Total comprehensive income for the year** | **-** | **269** | **269** |
| **Transactions with owners in their capacity as owners:** | | | |
| **Total transactions with owners** | **-** | **-** | **-** |
| **Balance as at 30 June 2022** | **186** | **1,281** | **1,467** |

| | Note | Share capital £'000 | Retained Earnings £'000 | Total Equity £'000 |
|---|---|---|---|---|
| **Balance as at 1 July 2022** | | **186** | **1,281** | **1,467** |
| Profit for the year | | - | 5,756 | 5,756 |
| **Total comprehensive income for the year** | | **-** | **5,756** | **5,756** |
| **Transactions with owners in their capacity as owners:** | | | | |
| Dividends paid | 20 | - | (1,108) | (1,108) |
| **Total transactions with owners** | | **-** | **(1,108)** | **(1,108)** |
| **Balance as at 30 June 2023** | | **186** | **5,929** | **6,115** |

The above statement should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS
For The Year Ended 30 June 2023

| | Notes | 30-Jun 2023 £'000 | 30-Jun 2022 £'000 |
|---|---|---|---|
| Cash flow from operating activities | | | |
| Receipts from customers | | 12,536 | 13,911 |
| Payments to suppliers and employees | | (12,017) | (10,959) |
| Interest paid | | (167) | (239) |
| Income tax paid | 6 | (908) | (320) |
| **Net cash (used in)/provided by operating activities** | | **(556)** | **2,393** |
| Cash flow from investing activities | | | |
| Payment for property, plant and equipment | 13 | (108) | (66) |
| Interest received | 4 | 34 | - |
| Payment for intangibles | 14 | - | (69) |
| **Net cash used in investing activities** | | **(74)** | **(135)** |
| Cash flow from financing activities | | | |
| Payment of lease liabilities | 17 | (695) | (673) |
| Dividends paid | 20 | (1,108) | - |
| Related parties' loans and receivables | 27 | 1,874 | (488) |
| **Net cash provided by/(used in) financing activities** | | **71** | **(1,161)** |
| Reconciliation of cash | | | |
| Cash at beginning of the year | | 1,892 | 795 |
| Net (decrease) / increase in cash held | | (559) | 1,097 |
| **Cash at end of the year** | 7 | **1,333** | **1,892** |

The above statement should be read in conjunction with the accompanying notes.

# PARENT STATEMENT OF CASH FLOWS
## For The Year Ended 30 June 2023

| | Notes | 30-Jun 2023 £'000 | 30-Jun 2022 £'000 |
|---|---|---|---|
| Cash flow from operating activities | | | |
| Payments to suppliers and employees | | 395 | 286 |
| Interest paid | | (167) | (239) |
| Income tax paid | 6 | (19) | (9) |
| **Net cash provided by operating activities** | | **209** | **38** |
| Cash flow from investing activities | | | |
| Payment for property, plant and equipment | 10 | (19) | (27) |
| Dividends received | | 4,298 | 305 |
| **Net cash provided by investing activities** | | **4,279** | **278** |
| Cash flow from financing activities | | | |
| Payments for deferred consideration/business acquisitions | | - | (74) |
| Payment of lease liabilities | 17 | (656) | (657) |
| Dividends paid | 20 | (1,108) | - |
| Related parties' loans and receivables | 27 | (2,753) | 408 |
| **Net cash used in financing activities** | | **(4,517)** | **(323)** |
| Reconciliation of cash | | | |
| Cash at beginning of the year | | 35 | 42 |
| Net (decrease) in cash held | | (29) | (7) |
| **Cash at end of the year** | 7 | **6** | **35** |

The above statement should be read in conjunction with the accompanying notes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## For The Year Ended 30 June 2023

### Note 1: General Information

The Company is a private company limited by shares and is incorporated in England. The address of its registered office is Mezzanine Floor, 75 King William Street, London, EC4N 7BE. Its registered company number is 05601837.

The Company acts as a UK holding company for its subsidiaries within the Group. The Company's principal activity remains that of a holding company. The principal activities of the subsidiary entities in the Group during the year were that of Authorised Insurance Intermediaries and accepting business on behalf of insurance companies onto Delegated Authorities.

### Note 2: Significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with IFRS as adopted by the UK and the Companies Act 2006. The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. The statement of financial position of the Company has been prepared in accordance with Section 408 of, and Schedule 3 to, the Companies Act 2006. The Company has taken advantage of the exemption conferred by section 408 of the Companies Act 2006 not to present its own profit or loss account or statement of comprehensive income for the year.

The consolidated financial statements have been prepared on the historical cost basis except for the modification to fair value of certain financial instruments as specified in the accounting policies below. The consolidated financial statements are prepared in UK pounds sterling which is the presentation and functional currency of the Group and parent company and are rounded to the nearest £'000.

2.2 Basis of consolidation

The consolidated financial statements comprise of Insurance Holdings Ltd. "the Company" and all of its subsidiary undertakings ("the subsidiaries") as at 30 June 2023.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

# Note 2: Significant accounting policies (continued)

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is established and are de-recognised from the date that control ceases.

Equity interests in a subsidiary not attributable directly or indirectly to the Group are presented as non-controlling interests. Non-controlling interests are initially recognised either at fair value or at the non-controlling interests' proportionate share of the acquired entity's net identifiable assets.

Non-controlling interests in the results of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position respectively.

2.3 Going Concern

The Group and the Company meets its day-to-day working capital requirements through its cash reserves and ongoing cash generation and has no borrowings other than internal debt in the wider group. The Group's forecasts and projections, taking account of realistic possible changes in trading performance, show that the Group and the Company has adequate financial resources to continue its operations for a period of 14 months from the approval of the Group and the Company financial statements. The Group and the Company therefore continue to adopt the going concern basis of preparing its consolidated and individual financial statements.

2.4 Summary of significant Accounting Policies

(a) Revenue

The Group derives revenue from the provision of insurance services. Revenue is recognised as, or when, services are transferred to the customer, and is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the services.

*Provision of insurance services*
The performance obligation relating to commission, brokerage and fee income relates to the provision of insurance broking services. Commission, brokerage and fees are recognised when the Group has satisfied its performance obligations, which occurs at the point in time that control of the services are transferred to the customer. Revenue is constrained to reflect potential lapses and cancellations based on past experiences and future expectations.

# 2.4 Summary of significant Accounting Policies (continued)

Where there is a future performance obligation to provide claims handling services, a portion of revenue relating to these services is deferred and recognised over time as the performance obligation is satisfied.

*Interest income*
Interest income is recognised in accordance with the effective interest method.

*Other revenue*
Other revenue is recognised when the right to receive payment is established.

*Gain / (loss) on financial instruments*
Financial assets and liabilities at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

*Receivables from contracts with customers*
A receivable from a contract with a customer represents the Group's unconditional right to consideration arising from the transfer of services to the customer (i.e., only the passage of time is required before payment of the consideration is due). Subsequent to initial recognition, receivables from contracts with customers are measured at amortised cost and are tested for impairment.

*Contract liabilities*
A contract liability represents the Group's obligation to transfer services to the customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Amounts recorded as contract liabilities are subsequently recognised as revenue when the Group transfers the contracted services to the customer.

(b) Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise of cash at bank and in hand. The Company has fiduciary and regulatory responsibilities in respect of cash received from clients to meet the premium obligations and cash received on behalf of clients in respect of settled claims or returned premiums. Cash held on trust is therefore separately disclosed in the Consolidated Statement of Financial Position as "Financial Assets - Trust Cash".

# 2.4 Summary of significant Accounting Policies (continued)

(c) Property, plant and equipment

Each class of property, plant and equipment is measured at cost less, where applicable, any accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the Group assesses whether there is any indication of impairment. If such indication exists, the recoverable amount if the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

*Plant and equipment*
Plant and equipment are measured at cost less any accumulated depreciation.

*Depreciation*
The depreciable amounts of all property, plant and equipment are depreciated over their estimated useful lives commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The useful lives for each class of assets are:

| | Depreciation rate | Depreciation Basis |
|---|---|---|
| Leasehold improvements at cost | 20% | Straight line |
| Office equipment at cost | 25% | Straight line |
| Computer equipment at cost | 25% | Straight line |
| Fixtures and fittings at cost | 10% | Straight line |

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income when the asset is de-recognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

# 2.4 Summary of significant Accounting Policies (continued)

(d) Current and deferred taxation

*Current tax*
Current tax expense is the tax payable on the current period's taxable income based on the corporate income tax rate enacted or substantively enacted at the reporting date.

*Deferred tax balances*
Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also 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 tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity. Deferred tax assets and liabilities are shown on a net basis in the consolidated statement of financial position.

(e) Intangibles

*Goodwill*
Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identifiable or separately recognised. Goodwill on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired entities at the date of acquisition.

Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

*Identifiable intangible assets*
Identifiable intangible assets acquired separately from a business combination are initially measured at fair value. The cost of an intangible asset acquired in a business combination is its fair value as at acquisition date. The useful lives of these intangible assets are assessed on acquisition. Following initial recognition, intangible assets are adjusted for any accumulated amortisation and impairment losses. Intangible assets with finite lives are amortised over the useful lives, currently estimated to be up to 10 years. Useful lives are reviewed annually.

# 2.4 Summary of significant Accounting Policies (continued)

The carrying value of intangible assets with finite lives are assessed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated on the same basis as goodwill above. An impairment loss is recognised if the carrying value of the intangible assets exceed their recoverable amount.

(f) Financial instruments

*Initial recognition and measurement*
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

*Classification*
Financial assets recognised by the Group are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the group irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income.

Financial assets not irrevocably designated on initial recognition at fair value through other comprehensive income are classified at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

(a) the Group's business model for managing the financial assets; and
(b) the contractual cash flow characteristics of the financial asset.

*Trade and other receivables*
Receivables from broking, reinsurance and underwriting agency operations are initially recognised based on the invoiced amount to customers and are generally due for settlement within 14 to 60 days. After initial recognition, provision is made for lapses or cancellations of insurance policies or other matters that may lead to cancellation.

Receivables from reinsurance broking are initially recognised based on contract value. Following fulfilment of the contract, amounts are then invoiced to customers.

Consistent with both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost.

# 2.4 Summary of significant Accounting Policies (continued)

*Loans and receivables*
Loans and receivables are debt instruments, and are classified (and measured) at amortised cost using the effective interest rate method on the basis that:

(a) they are held within a business model whose objective is achieved by the Group's holding the financial asset 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.

*Impairment of financial assets*
The following financial assets are tested for impairment at each financial year end:
(a) debt instruments measured at amortised cost;
(b) receivables from contracts with customers.

The Group provides for allowances for credit losses for both receivables from contracts with customers. Under IFRS 9, the Group determines the allowance for credit losses for receivables from contracts with customers on the basis of the lifetime expected credit losses of the instrument. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

For all financial assets subject to impairment testing, when there has been a significant increase in credit risk since the initial recognition of the financial asset, the allowance for credit losses is recognised on the basis of the lifetime expected credit losses. When there has not been an increase in credit risk since initial recognition, the allowance for credit losses is recognised on the basis of 12-month expected credit losses. '12-month expected credit losses' is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Where there is a trade receivables balance, assessment is given to establish whether credit risk against this balance is mitigated in full as a result of the allowance for expected revenue losses on policy lapses and cancellations.

The gross carrying amount of a financial asset is written off when the counterparty is in severe financial difficulty and the Group has no realistic expectation of recovery of the financial asset.

## 2.4 Summary of significant Accounting Policies (continued)

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

*Financial liabilities*
Financial liabilities include trade payables, other creditors, loans from third parties and loans or other amounts due to related parties.

Non-derivative financial liabilities are recognised at amortised cost, comprising of original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

*Offsetting of financial instruments*
Financial assets and financial liabilities are offset and the net amount is reported in the Group's consolidated statement of financial position if there is an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(g) Borrowing costs

Borrowing costs can include interest expense calculated using the effective interest method, finance charges in respect of finance leases, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. Borrowing costs are expensed as incurred.

(h) Foreign Currency translation

Transactions in foreign currencies of entities within the Group are translated into functional currency at the rate of exchange ruling at the date of the transaction. Foreign currency monetary items at the reporting date are translated using the spot rate at the end of the financial year. Foreign currency non-monetary items that are measured on a historical cost basis are translated using the exchange rate at the date of the transaction that resulted in their recognition. All resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

# 2.4 Summary of significant Accounting Policies (continued)

(i) Investments in associates and subsidiaries

An associate is an entity over which the Group is able to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's interests in associates are brought to account using the equity method after initially being recognised at cost. Under the equity method, the profits and losses of the associate are recognised in Group's profit or loss and the Group's share of the associate's other comprehensive income items are recognised in the Group's other comprehensive income.

Unrealised gains and losses on transactions between the Group and an associate are eliminated to the extent of the Group's share in an associate.

Investments in subsidiaries and investment in associates are accounted for as financial assets, which are included in the statement of financial position at cost less impairment.

(j) New standards, interpretations and amendments adopted by the Group

The Group has not early adopted any accounting standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time, but these do not have an impact on the consolidated financial statements of the Group.

The new and amended standards and interpretations that are issued and potentially relevant to the Group, but not yet effective, up to the date of issuance of the Group's consolidated financial statements, are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

| | Effective date | Financial year mandatory |
|---|---|---|
| a. Amendments to IAS 8 – Definition of Accounting Estimates | 1 January 2023 | 30 June 2024 |
| b. IFRS 17 Insurance Contracts | 1 January 2023 | 30 June 2024 |
| c. Amendments to IAS 1: Classification of Liabilities as Current or Non-current | 1 January 2023 | 30 June 2024 |
| d. Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies | 1 January 2023 | 30 June 2024 |
| e. Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2023 | 30 June 2024 |

The Group does not expect the impact of the new and amended standards to have a significant impact on the consolidated financial statements.

# 2.4 Summary of significant Accounting Policies (continued)

(k) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. The amount recognised as a provision is the best estimate of the consideration required to settle the obligation at the reporting date.

(l) Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of any purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The determination of the lease term and the incremental borrowing rate requires the use of judgement.

(m) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. The lease term determined by the Group comprises non-cancellable period of leases and periods covered by options to extend the lease, if the Group is reasonably certain to exercise that option.

# Note 3: Significant accounting judgements, estimates and assumptions

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

(a) Business combinations and goodwill

When a business combination occurs, the fair values of the identifiable assets and liabilities assumed, including intangible assets, are recognised. The determination of the fair values of acquired assets and liabilities is based, to a considerable extent, on management's judgement. If the purchase consideration exceeds the fair value of the net assets acquired then the difference is recognised as goodwill. If the purchase price consideration is lower than the fair value of the assets acquired then a gain is recognised in the income statement.

Allocation of the purchase price between finite life assets and indefinite life assets such as goodwill affects the results of the Group as finite lived intangible assets are amortised, whereas indefinite life intangible assets, including goodwill, are not amortised.

(b) Impairment of goodwill

Goodwill is allocated to cash generating units (CGU's) according to applicable business operations. The recoverable amount of a CGU is based on value in use calculations or fair value assessments. Fair value calculations are based on estimates of sustainable revenue for each CGU multiplied by a revenue multiple appropriate for similar businesses, less costs to sell. Value in use calculations are based on projected cash flows approved by management covering a period of 5 years. Management's determination of cash flow projections are based on past performance and its expectation for the future, including any potential impacts from COVID-19. Key assumptions used for impairment assessment includes growth in revenue and expenses for each CGU of 2.5% (2022: 2.5%), terminal growth rate of 2% (2022: 2%) and discount rate of 11% (2022: 8%-11%) which is derived from the Weighted Average Cost of Capital.

(c) Income tax

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

## Note 3: Significant accounting judgements, estimates and assumptions (continued)

(d) Deferred consideration

The Group has made a best estimate of consideration payable for the acquisitions where there is a variable purchase price (generally a multiple of revenue). Should the final revenue vary from estimates, the Group will be required to vary the consideration payable and recognise the difference as an expense or income.

## Note 4: REVENUE AND OTHER INCOME

| | 2023<br>£'000 | 2022<br>£'000 |
|---|---|---|
| **Fee and commission income** | | |
| Commission income | 13,857 | 12,212 |
| Fee income | 1,773 | 1,301 |
| Other fees | 628 | 372 |
| | **16,258** | **13,885** |
| **Other revenue** | **1,850** | **1,415** |
| **Interest income** | **34** | - |
| **Share of equity accounted results** | **58** | **48** |
| **Total revenue and other income** | **18,200** | **15,348** |

## Note 5: ADMINISTRATION AND OTHER EXPENSES

| | **2023<br>£'000** | **2022<br>£'000** |
|---|---|---|
| Profit before income tax has been determined after: | | |
| Foreign currency translation losses | 117 | 40 |
| Occupancy, travel and other | 1,054 | 1,149 |
| Subscriptions, legal and professional fees | 94 | 97 |
| Marketing and entertainment | 166 | 129 |
| **Total administration and other expenses** | **1,431** | **1,415** |

The amount of expense related to defined contribution charged within employee salaries and benefit expenses in 2023 was £315k (2022: £276k).

# Note 6: INCOME TAX

(a) Components of tax expense

| | Group 2023 £'000 | Group 2022 £'000 | Company 2023 £'000 | Company 2022 £'000 |
|---|---|---|---|---|
| **Current tax:** | | | | |
| Current tax on profits for the year | 1,020 | 634 | 401 | 54 |
| Adjustments in respect of prior years | (38) | 17 | (43) | - |
| **Total current tax** | **982** | **651** | **358** | **54** |
| **Deferred tax:** | | | | |
| Origination and reversal of timing differences | 56 | 11 | 57 | - |
| Impact of UK corporate income tax rate change | 15 | - | 7 | - |
| Adjustments in respect of prior years | 29 | - | - | - |
| **Total deferred tax** | **100** | **11** | **64** | **-** |
| | | | | |
| **Total tax charge** | **1,082** | **662** | **422** | **54** |

(b) Tax expense

The tax assessed differs from than the standard rate of corporate income tax in the UK of 20.5% for the year ended 30 June 2023 (2022: 19.00%). The differences are explained below:

| | Group 2023 £'000 | Group 2022 £'000 | Company 2023 £'000 | Company 2022 £'000 |
|---|---|---|---|---|
| Profit on ordinary activities before tax | 4,674 | 3,208 | 6,178 | 323 |
| | | | | |
| Income tax payable on profit before income tax at 20.5% (2022: 19%) | 958 | 609 | 1,267 | 61 |
| Add tax effect of: | | | | |
| - Other non-allowable items | 97 | 91 | 72 | 51 |
| - Amortisation | 21 | (55) | - | - |
| - Inter-entity dividends | - | - | (881) | (58) |
| - Impact of UK corporate income tax rate change* | 15 | - | 7 | - |
| - (Over)/under provision for corporation tax in prior years | (9) | 17 | (43) | - |
| | **124** | **53** | **(845)** | **(7)** |
| **Total tax charge** | **1,082** | **662** | **422** | **54** |

*On 1 April 2023 the main rate of corporation tax increased from 19% to 25%.

# Note 6: CORPORATION TAX (continued)

(c) Current tax liability/(asset)

| | Group 2023 £'000 | Group 2022 £'000 | Company 2023 £'000 | Company 2022 £'000 |
|---|---|---|---|---|
| Current tax relates to the following: | | | | |
| Opening balance | 580 | 237 | (37) | (63) |
| Income tax charge | 1,021 | 634 | 401 | 2 |
| Tax payments | (908) | (320) | (19) | (9) |
| (Over)/under provisions | (38) | 29 | (43) | 33 |
| **Current tax liability / (asset)** | **655** | **580** | **302** | **(37)** |

(d) Deferred tax

| | Group 2023 £'000 | Group 2022 £'000 | Company 2023 £'000 | Company 2022 £'000 |
|---|---|---|---|---|
| Deferred tax relates to the following: | | | | |
| **Deferred tax assets** | | | | |
| The balance comprises: | | | | |
| Leases | - | 43 | - | - |
| Accrued expenses | 12 | - | - | - |
| Other | - | - | - | 15 |
| | **12** | **43** | **-** | **15** |
| **Deferred tax liabilities** | | | | |
| The balance comprises: | | | | |
| Customer lists and brand names | 94 | 100 | - | - |
| Accelerated capital allowances | 91 | 16 | 49 | - |
| | **185** | **116** | **49** | **-** |
| **Net deferred tax liabilities / (assets)** | **173** | **73** | **49** | **(15)** |

# Note 7: CASH AND CASH EQUIVALENTS

| | Group 2023 £'000 | Group 2022 £'000 | Company 2023 £'000 | Company 2022 £'000 |
|---|---|---|---|---|
| Cash at bank | 1,333 | 1,892 | 6 | 35 |
| | **1,333** | **1,892** | **6** | **35** |

# Note 8: FINANCIAL ASSETS - TRUST CASH

| | Group 2023 £'000 | Group 2022 £'000 | Company 2023 £'000 | Company 2022 £'000 |
|---|---|---|---|---|
| Cash held on trust | 10,260 | 10,371 | - | - |
| | **10,260** | **10,371** | **-** | **-** |

# Note 9: RECEIVABLES

| | Group 2023 £'000 | Group 2022 £'000 | Company 2023 £'000 | Company 2022 £'000 |
|---|---|---|---|---|
| **Current** | | | | |
| Other receivables | 272 | 47 | - | - |
| Trade receivables | 2,692 | 2,502 | - | - |
| Related party loans and receivables | 5,984 | 3,409 | 1,217 | 30 |
| | **8,948** | **5,958** | **1,217** | **30** |

Trade receivables are net of the allowance for expected credit losses.

(i) Other receivables include amounts due from insurers for commercial services fees and sundry receivables.

| | Group 2023 £'000 | Group 2022 £'000 |
|---|---|---|
| **(a) Ageing of Receivables** | | |
| - 0-30 Days | 1,830 | 906 |
| - 30-60 Days | 778 | 659 |
| - 60-90 Days | 199 | 356 |
| - Over 90 Days | 157 | 628 |
| | **2,964** | **2,549** |

The related party loans and receivables of Group £5,984k (2022: £3,409k) and Company £1,217k (2022: £30k) have not been included in the table above as they are not aged and are paid as required.

**(b) Allowance for expected credit losses**

| | Group 2023 £'000 | Group 2022 £'000 | Company 2023 £'000 | Company 2022 £'000 |
|---|---|---|---|---|
| **Movements in the allowance for expected losses were:** | | | | |
| Opening balance 1 July | 52 | 30 | - | - |
| (Reduction)/charge for the year | (40) | 22 | - | - |
| **Closing balance at 30 June** | **12** | **52** | **-** | **-** |

Trade receivables represent the amounts due from policyholders in respect of insurances arranged by controlled entities. Should policyholders not pay, the insurance policy is cancelled by the insurer and a credit is given against the amount due. The Group's credit risk exposure in relation to these amounts is limited to commissions and fees charged.

Commission and fee income is recognised after taking into account an allowance for expected losses (on policy lapses and cancellations) based on past experiences and future expectations.

## Note 10: OTHER ASSETS

| | Group 2023 £'000 | Group 2022 £'000 | Company 2023 £'000 | Company 2022 £'000 |
|---|---|---|---|---|
| **Current** | | | | |
| Prepayments | 580 | 583 | 255 | 283 |
| | **580** | **583** | **255** | **283** |

## Note 11: BONDS AND DEPOSITS

| | Group 2023 £'000 | Group 2022 £'000 | Company 2023 £'000 | Company 2022 £'000 |
|---|---|---|---|---|
| **Current** | | | | |
| Bonds and deposits | 328 | 328 | 328 | 328 |
| | **328** | **328** | **328** | **328** |

## Note 12: EQUITY ACCOUNTED INVESTMENTS

| | Group 2023 £'000 | Group 2022 £'000 | Company 2023 £'000 | Company 2022 £'000 |
|---|---|---|---|---|
| **Non-Current** | | | | |
| Equity accounted associates | **150** | **92** | **-** | **-** |

(a) Associates

Investments in associates are accounted for using the equity method in the Group and carried at cost in the parent entity.

Interests are held in the following associated companies:

| Associated Companies | | Ownership Interest | |
|---|---|---|---|
| Associates | Principal place of business | 2023 | 2022 |
| Just Motorsport Limited | United Kingdom | 35.03% | 35.03% |
| Just Business Cover Ltd (UK) | United Kingdom | 42.50% | 42.50% |

# Note 13: PROPERTY, PLANT AND EQUIPMENT

| | Group 2023 £'000 | Group 2022 £'000 | Company 2023 £'000 | Company 2022 £'000 |
|---|---|---|---|---|
| **Leasehold improvements** | | | | |
| Leasehold improvements at cost | 463 | 447 | 388 | 371 |
| Accumulated depreciation | (284) | (199) | (224) | (149) |
| | **179** | **248** | **164** | **222** |
| **Plant and equipment** | | | | |
| **Office equipment** | | | | |
| Office equipment at cost | 358 | 346 | 35 | 31 |
| Accumulated depreciation | (268) | (256) | (10) | (6) |
| | **90** | **90** | **25** | **25** |
| **Computer equipment** | | | | |
| Computer equipment at cost | 715 | 637 | 37 | 38 |
| Accumulated depreciation | (583) | (505) | (28) | (18) |
| | **132** | **132** | **9** | **20** |
| **Total plant and equipment** | **222** | **222** | **34** | **45** |
| **Total property, plant and equipment** | **401** | **470** | **198** | **267** |

(a) Reconciliations

| | Group 2023 £'000 | Group 2022 £'000 | Company 2023 £'000 | Company 2022 £'000 |
|---|---|---|---|---|
| **Leasehold improvements** | | | | |
| Carrying amount at beginning of year | 248 | 310 | 222 | 273 |
| Additions | 17 | 22 | 17 | 21 |
| Depreciation expense | (86) | (84) | (75) | (72) |
| **Carrying amount end of year** | **179** | **248** | **164** | **222** |
| **Office equipment** | | | | |
| Carrying amount at beginning of year | 90 | 97 | 25 | 24 |
| Additions | 13 | 6 | 4 | 4 |
| Depreciation expense | (13) | (13) | (4) | (3) |
| **Carrying amount end of year** | **90** | **90** | **25** | **25** |
| **Computer equipment** | | | | |
| Carrying amount at beginning of year | 132 | 197 | 20 | 28 |
| Additions | 78 | 39 | - | 1 |
| Disposals | - | (6) | - | - |
| Depreciation expense | (78) | (98) | (11) | (9) |
| **Carrying amount end of year** | **132** | **132** | **9** | **20** |
| **Total plant and equipment** | **222** | **222** | **34** | **45** |
| **Total property, plant and equipment** | **401** | **470** | **198** | **267** |

# Note 14: INTANGIBLE ASSETS

| | Group 2023 £'000 | Group 2022 £'000 | Company 2023 £'000 | Company 2022 £'000 |
|---|---|---|---|---|
| Goodwill at cost | 8,005 | 8,005 | - | - |
| | | | | |
| Identifiable intangible assets at cost | 843 | 843 | - | - |
| Disposal at cost | (173) | - | - | - |
| Closing cost | **670** | **843** | - | - |
| Accumulated amortisation and impairment | (424) | (261) | - | - |
| Accumulated amortisation on disposal | 173 | - | - | - |
| Closing accumulated amortisation and impairment | **(251)** | **(261)** | - | - |
| **Net carrying value** | **419** | **582** | **-** | **-** |
| **Total intangible assets** | **8,424** | **8,587** | **-** | **-** |

(a) Reconciliations

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the current financial year.

| | Group 2023 £'000 | Group 2022 £'000 | Company 2023 £'000 | Company 2022 £'000 |
|---|---|---|---|---|
| Goodwill at cost | | | | |
| Opening balance | 8,005 | 8,029 | - | - |
| Adjustment | - | (24) | - | |
| Additions | - | - | - | - |
| **Closing balance** | **8,005** | **8,005** | - | - |
| *Identifiable intangible assets* | | | | |
| Opening balance - carrying value | 582 | 641 | - | - |
| Adjustment | - | 24 | - | - |
| Other additions | - | 69 | - | - |
| Amortisation expense | (163) | (152) | - | - |
| **Closing balance** | **419** | **582** | **-** | **-** |
| **Total intangible assets** | **8,424** | **8,587** | **-** | **-** |

The Group performs, on an annual basis, impairment testing for goodwill. There was no impairment for the year 30 June 2023 (2022: nil). In performing impairment testing, the subsidiaries are grouped into two CGUs, Carrolls and Breeze, as operations are linked. The methodologies used in the impairment testing are:

- Value in use - a discounted cash flow model, based on a five year projection commencing with the year one approved budget of the tested CGUs plus a terminal value.

# Note 14: INTANGIBLE ASSETS (continued)

The recoverable amount of the CGU as at 30 June 2023 has been determined based on a value in use calculation using cash flow projections from financial forecasts approved by senior management, and extrapolated forward covering a five-year period. The post-tax discount rate applied to cash flow projections is 11% (2022: 9.5%) and the terminal value cash flows beyond the five-year period valued with a 2% terminal growth rate. Year 1-5 growth rates for revenue and expenses are a prudent assessment of the average growth rate for the Insurance Broking industry. As a result of this analysis, Management did not identify an impairment for these CGUs.

**Key assumptions used in value in use calculations and sensitivity to changes in assumptions**

EBITDA margins – EBITDA margins (after allocation of central costs) are based on average values achieved in twelve months preceding the beginning of the forecast period. These are increased over the budget period for anticipated efficiency improvements, in line with the respective revenue and expense growth drivers.

Discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the capital asset pricing model. The cost of debt is based on a margin over a longer term risk free rate and is not necessarily representative of the Group's actual cost of debt.

Sensitivity analysis has been conducted and no reasonable change in the key assumptions of the value in use calculations would result in impairment. The discount rate used is dependent on specific attributes of the transactions and determined by the Board.

The following table sets out the key assumptions for the value in use model:

| | 2023<br>% | 2022<br>% |
|---|---|---|
| Revenue growth | 2.5% | 2.5% |
| Cost growth | 2.5% | 2.5% |
| Terminal growth rate (EBITDA) | 2.0% | 2.0% |
| Discount rate (pre tax) | 14% | 11.5% |
| Discount rate (post tax) | 11% | 9.5% |

# Note 15: RIGHT OF USE ASSETS

| | Group 2023 £'000 | Group 2022 £'000 | Company 2023 £'000 | Company 2022 £'000 |
|---|---|---|---|---|
| **Non-current** | | | | |
| Right of use assets | 3,167 | 3,146 | 2,728 | 3,146 |
| **Total right of use assets** | **3,167** | **3,146** | **2,728** | **3,146** |

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

| | Group 2023 £'000 | Group 2022 £'000 | Company 2023 £'000 | Company 2022 £'000 |
|---|---|---|---|---|
| Opening balance 1 July | 3,146 | 3,588 | 3,146 | 3,562 |
| Additions | 487 | - | | - |
| Lease exit | - | (16) | - | - |
| Adjustment in the year | 13 | - | 13 | - |
| Depreciation expense | (479) | (426) | (431) | (416) |
| **Closing balance at 30 June** | **3,167** | **3,146** | **2,728** | **3,146** |

The following are the amounts recognised in profit or loss:

| | Group 2023 £'000 | Group 2022 £'000 | Company 2023 £'000 | Company 2022 £'000 |
|---|---|---|---|---|
| Depreciation expense of right-of-use assets | (479) | (426) | (431) | (416) |
| Interest expense on lease liabilities | (247) | (267) | (222) | (266) |
| Expense relating to short-term leases or low-value assets (included in Administration and other expenses) | (22) | (38) | (16) | - |
| **Total amount recognised in profit or loss** | **(748)** | **(731)** | **(669)** | **(682)** |

# Note 16: PAYABLES

| | Group 2023 £'000 | Group 2022 £'000 | Company 2023 £'000 | Company 2022 £'000 |
|---|---|---|---|---|
| **Current** | | | | |
| *Unsecured liabilities* | | | | |
| Trade creditors | 66 | 53 | 8 | 21 |
| Payables from broking, reinsurance and underwriting agency operations | 10,260 | 10,371 | - | - |
| Sundry creditors and accruals | 802 | 580 | 81 | 154 |
| Related party payables | 240 | - | 4,124 | - |
| | **11,368** | **11,004** | **4,213** | **175** |
| **Non-current** | | | | |
| Related party loans | 4,401 | 4,401 | 4,401 | 4,401 |
| Related party payables | - | 941 | - | 8,065 |
| | **4,401** | **5,342** | **4,401** | **12,466** |

The related party loan amount is owed to PSC UK Pty Ltd, the Group's immediate parent undertaking - refer to note 27.

# Note 17: LEASE LIABILITIES

| | Group 2023 £'000 | Group 2022 £'000 | Company 2023 £'000 | Company 2022 £'000 |
|---|---|---|---|---|
| **Current** | | | | |
| Lease liabilities | 499 | 390 | 445 | 390 |
| **Non-current** | | | | |
| Lease liabilities | 3,481 | 3,498 | 3,062 | 3,498 |
| **Total lease liabilities** | **3,980** | **3,888** | **3,507** | **3,888** |

Set out below are the carrying amounts of lease liabilities recognised and the movements during the year:

| | Group 2023 £'000 | Group 2022 £'000 | Company 2023 £'000 | Company 2022 £'000 |
|---|---|---|---|---|
| Opening balance 1 July | 3,888 | 4,307 | 3,888 | 4,278 |
| Adjustment on end of lease | 53 | (13) | 53 | - |
| Additions | 487 | - | - | - |
| Finance costs - lease interest | 247 | 267 | 222 | 267 |
| Payments | (695) | (673) | (656) | (657) |
| **Closing balance at 30 June** | **3,980** | **3,888** | **3,507** | **3,888** |

# Note 18: CONTRACT LIABILITIES - DEFERRED REVENUE

| | Group 2023 £'000 | Group 2022 £'000 | Company 2023 £'000 | Company 2022 £'000 |
|---|---|---|---|---|
| **Current** | | | | |
| Opening balance 1 July | 399 | 384 | - | - |
| (Credit)/charge during the year | (10) | 15 | - | - |
| **Closing balance at 30 June** | **389** | **399** | - | - |

Contract liabilities represent the Group's obligation to transfer services to the customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Amounts recorded as contract liabilities are subsequently recognised as revenue when the Group transfers the contracted services to the customer. A contract liability arises in relation to claims handling income when consideration is received from the customer in advance of the claims handling service being performed.

# Note 19: SHARE CAPITAL

(a) Allotted, called up and fully paid

| | Group 2023 £'000 | Group 2022 £'000 | Company 2023 £'000 | Company 2022 £'000 |
|---|---|---|---|---|
| Ordinary shares fully paid | **186** | **186** | **186** | **186** |

Fully paid ordinary shares carry one vote per share and have the right to dividends.

The number of shares in issue are:

10,000 A shares

4,469 B shares

(b) Rights of each type of share

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share gives entitlement to one vote when a poll is called.

(c) Capital Management

When managing capital, management's objective is to ensure the Group continues to maintain optimal returns to shareholders. This is achieved through the monitoring of historical and forecast performance and cash flows.

# Note 20: MOVEMENT IN RETAINED EARNINGS

Movement in retained earnings:

| | Group 2023 £'000 | Group 2022 £'000 | Company 2023 £'000 | Company 2022 £'000 |
|---|---|---|---|---|
| **Opening balance** | 9,792 | 7,299 | 1,281 | 1,012 |
| Profit for the year | 3,518 | 2,493 | 5,756 | 269 |
| Dividends paid | (1,108) | - | (1,108) | - |
| **Closing balance** | **12,202** | **9,792** | **5,929** | **1,281** |

The following dividends were declared and paid for the year:

| | Group 2023 £'000 | Group 2022 £'000 | Company 2023 £'000 | Company 2022 £'000 |
|---|---|---|---|---|
| £76.53 (2022: £Nil) per ordinary share | (1,108) | - | (1,108) | - |
| | **(1,108)** | **-** | **(1,108)** | **-** |

# Note 21: INTERESTS IN SUBSIDIARIES

Interests in direct and indirect subsidiaries:

| Subsidiaries of the Company | Country | Ownership interest held by the Company | | Ownership interest held by NCI | |
|---|---|---|---|---|---|
| | | 2023 | 2022 | 2023 | 2022 |
| Breeze Underwriting Limited | United Kingdom | 95.00% | 95.00% | 5.00% | 5.00% |
| Carroll & Partners Limited | United Kingdom | 100.00% | 100.00% | 0.00% | 0.00% |
| Carroll Harvey Limited | United Kingdom | 100.00% | 100.00% | 0.00% | 0.00% |
| Carroll London Markets Holdings Ltd | United Kingdom | 100.00% | 100.00% | 0.00% | 0.00% |
| Carroll London Markets Ltd | United Kingdom | 100.00% | 100.00% | 0.00% | 0.00% |
| Carroll Insurance Brokers Ltd* | United Kingdom | 100.00% | 100.00% | 0.00% | 0.00% |
| Carroll Insurance Group Ltd* | United Kingdom | 100.00% | 100.00% | 0.00% | 0.00% |
| Easy Broking Online Ltd | United Kingdom | 100.00% | 100.00% | 0.00% | 0.00% |
| Fenchurch Insurance Risk Management Ltd | United Kingdom | 100.00% | 100.00% | 0.00% | 0.00% |
| UK Facilities Limited | United Kingdom | 100.00% | 100.00% | 0.00% | 0.00% |

All subsidiaries above trade from the registered office at 75 King William Street, London EC4N 7BE, except for Breeze Underwriting Ltd, which trades from 42-43 Broomfield House Lanswoodpark Business Centre, Broomfield Road. Carroll & Partners Ltd also trades from a secondary address of 1 Merchants Place, River Street, Bolton BL2 1BX.

*See note 22

# Note 22: COMMITMENTS

**(a) Lease expenditure commitments**

(i) Nature of leases
Leases comprise of the leases for premises from which the Group operates.

(ii) Minimum lease payments

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| - Not later than one year | 739 | 705 |
| - Later than one year and not later than five years | 3,619 | 2,822 |
| - Greater than five years | 543 | - |
| **Aggregate lease expenditure contracted for at reporting date** | **4,901** | **3,527** |

**(b) Contingent liabilities**

CBA Corporate Services (NSW) PTY Limited (as security trustee for a group of lenders) is the beneficiary of a charge over assets of the Company as part of the security package to secure a facility of the immediate and ultimate parent undertaking of the Company. Amounts outstanding on this Group debt facility as at 30 June 2023 are split between

a) a syndicated facility agreement (SFA) with a balance of A$127.5m (£67m) which has a maturity date of November 2026 and has a limit of A$190m (£100m) (multi-currency) plus a further A$6m (£3m) revolving overdraft / bank guarantee limit and
b) a note purchase agreement (NPA) (£41.25m) which has a maturity date of November 2028.

The Company benefits from the ability to participate in this funding facility to assist with the funding of its growth aspirations.

One of the companies within the group is the subject of legal action relating to an historic issue alleged to have occurred prior to the Group's acquisition of the business. The directors are contesting the matter and, as at the date of approval of these financial statements, are unable to make a reliable estimate of the ultimate cost, if any. As such no provision has been made. Should any liability arise the directors believe that recoveries from third parties, including insurers, would result in the impact being immaterial.

**(c) Parent Guarantee**

Under Section 479A of the Companies Act 2006, the Group have filed a Parent Guarantee on behalf of its subsidiaries (listed in 'Note 21'). The two companies * in note 21 are excluded from parental guarantee.

Insurance Holdings Limited, as a parent undertaking, guarantees all outstanding liabilities that the subsidiary is subject to at the end of the financial year, and will remain in force until all of the liabilities have been satisfied.

# Note 23: FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks comprising:
- Market price risk
- Credit risk
- Liquidity risk

The Board of Directors has overall responsibility for identifying and managing operational and financial risks.
The Group holds the following financial instruments:

| | 2023<br>£'000 | 2022<br>£'000 |
|---|---|---|
| **Financial assets** | | |
| *Amortised cost:* | | |
| Cash and cash equivalents | 1,333 | 1,892 |
| Bonds and deposits | 328 | 328 |
| Financial assets - trust cash | 10,260 | 10,371 |
| Trade receivables | 2,692 | 2,502 |
| Other receivables | 272 | 47 |
| Loans to related parties | 5,984 | 3,409 |
| | **20,869** | **18,549** |
| **Financial liabilities** | | |
| *Amortised cost:* | | |
| Trade creditors | 66 | 53 |
| Payables from broking, reinsurance and underwriting agency operations | 10,260 | 10,371 |
| Sundry creditors and accruals | 802 | 580 |
| Loans from related entities | 4,401 | 5,342 |
| Related party payables | 240 | - |
| Lease liabilities | 3,980 | 3,888 |
| | **19,749** | **20,234** |

# Note 23: FINANCIAL RISK MANAGEMENT (continued)

**(a) Market price risk**

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of:

*(i) Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign currency risk is mitigated by a natural hedge in the way the business operates. Premiums processed through the broking system in non UK pounds sterling currencies, are paid to the market in the same currency received, matching broking assets and liabilities. The exposure is therefore limited to trade receivables i.e. the Group's unrealised brokerage held on balance sheet as a trade receivable. This will be used to fund the operation of the business and so is converted to UK pounds sterling (GBP) on a periodic basis. To mitigate this risk, currency is sold on a regular basis to smooth out the risk of an unexpected swing in FX rates.

The following tables demonstrate the sensitivity to a reasonably possible change in USD and EUR exchange rates. If foreign exchange rates were to increase by 10% from rates used to determine fair values of all financial instruments as at the reporting date, assuming all other variables that might impact on fair value remain constant, the impact on profit for the year and equity is as follows. A decrease in the rates would cause an equal and opposite impact.

| | | 2023<br>£'000 | 2022<br>£'000 |
|---|---|---|---|
| + 10%: | | | |
| Impact on equity | USD | 122 | 65 |
| Impact on profit after tax | USD | 56 | 112 |

| | | 2023<br>£'000 | 2022<br>£'000 |
|---|---|---|---|
| + 10%: | | | |
| Impact on equity | EUR | 63 | 41 |
| Impact on profit after tax | EUR | 21 | 45 |

*(ii) Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

Interest risk exposure is primarily in relation to an interest-bearing intercompany loan with the immediate parent company. Interest rate risk is expected to be managed by the on-going profitable trading of the Group.

# Note 23: FINANCIAL RISK MANAGEMENT (continued)

The exposure to interest rate risks in relation to future cash flows on classes of financial assets and financial liabilities is as follows:

| Financial Instruments | Interest-bearing £'000 | Non-interest bearing £'000 | Total carrying amount £'000 |
|---|---|---|---|
| **2023** | | | |
| **(i) Financial assets** | | | |
| Cash | - | 1,333 | 1,333 |
| Bonds and deposits | 328 | - | 328 |
| Cash held on trust | 4,077 | 6,183 | 10,260 |
| Receivables from broking, reinsurance and underwriting agency operations | - | 2,692 | 2,692 |
| Other receivables | - | 272 | 272 |
| Loans to related entities | - | 5,984 | 5,984 |
| **Total financial assets** | **4,405** | **16,464** | **20,869** |
| **(ii) Financial liabilities** | | | **-** |
| Trade creditors | - | 66 | 66 |
| Payables from broking, reinsurance and underwriting agency operations | - | 10,260 | 10,260 |
| Sundry creditors and accruals | - | 802 | 802 |
| Lease liabilities | 3,980 | - | 3,980 |
| Loans from related entities | 4,401 | - | 4,401 |
| Related party payables | - | 240 | 240 |
| **Total financial liabilities** | **8,381** | **11,368** | **19,749** |
| **2022** | | | |
| **(i) Financial assets** | | | |
| Cash | | | |
| Bonds and deposits | - | 1,892 | 1,892 |
| Cash held on trust | - | 328 | 328 |
| Receivables from broking, reinsurance and underwriting agency operations | - | 10,371 | 10,371 |
| Other receivables | - | 2,502 | 2,502 |
| Loans to related entities | - | 47 | 47 |
| **Total financial assets** | - | 3,409 | 3,409 |
| **(ii) Financial liabilities** | **-** | **18,549** | **18,549** |
| Trade creditors | | 53 | 53 |
| Payables from broking, reinsurance and underwriting agency operations | - | 10,371 | 10,371 |
| Sundry creditors and accruals | - | 580 | 580 |
| Lease liabilities | 3,888 | - | 3,888 |
| Loans from related entities | 4,401 | 941 | 5,342 |
| **Total financial liabilities** | **8,289** | **11,945** | **20,234** |

# Note 23: FINANCIAL RISK MANAGEMENT (continued)

If interest rates were to increase by 100 basis points from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, the impact on profit for the year and equity would be as follows. An increase/decrease in the rates would cause an equal and opposite impact.

| + / - 100 basis points | 2023<br>£'000 | 2022<br>£'000 |
|---|---|---|
| Impact on profit after tax | 64 | 70 |
| **Impact on equity** | **64** | **70** |

**(b) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the consolidated statement of financial position and notes to the consolidated financial statements. The Group does not hold any collateral.

Credit risk of the Group mainly arises from cash and cash equivalents and financial trust cash held with NatWest Bank Plc which amounts to £11,593k and credit risk is not considered significant. Due diligence is performed in respect of the financial stability of the bank and reported to the Board of the subsidiary on a quarterly basis. Credit risks are monitored and reviewed and approved by the Board. The last report disclosed a long-term credit rating of A-1*/A1 with Moody's for NatWest Bank Plc and this process mitigates the potential risk of the bank failing to meet its obligations.

The Group's exposure to credit risk is concentrated in the financial services industry with parties which are considered to be of sufficiently high credit quality to minimise credit risk losses. Receivables include amounts due from policyholders in respect of insurances arranged by controlled entities. Insurance brokers and underwriting agencies have credit terms of 90 days from policy inception to pay funds received from policyholders to insurers. Should policyholders not pay, the insurance policy is cancelled by the insurer and a credit given against the amount due. The Group's credit risk exposure in relation to these receivables is limited to commissions and fees charged. Commission revenue is recognised after taking into account an allowance for expected revenue losses on policy lapses and cancellations, based on past experiences.

# Note 23: FINANCIAL RISK MANAGEMENT (continued)

**(c) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations when they fall due. The Group meets its day to day working capital requirements through operating cash flows, existing cash resources and ultimately, if required, by access to PSC Insurance Group's credit facility funding arrangements. Liquidity is managed centrally by PSC Insurance Group's risk management function to ensure there is sufficient funding available if required. Cashflow is monitored for the Group on a day-by-day basis, together with Board reporting of cashflows on a quarterly basis to ensure the Group has sufficient cash liquidity to meet its needs, and the ability to fund liabilities as and when they become due.

The Group is holding its own cash (excluding trust cash) of £1,333k at the year end, which represents 9% of the cash outflows for the financial year - see the Consolidated Statement of Cashflow. Cash has decreased by £559k in the financial year however the Group has intercompany debtors which are repayable on demand from other companies within the UK group, which also reflects that liquidity risk is low for the Group.

| Financial Instruments | < 30 days £'000 | 30-60 days £'000 | over 60 days £'000 | Total carrying amount £'000 |
|---|---|---|---|---|
| **2023** | | | | |
| Financial assets and liabilities | | | | |
| Cash and cash equivalents | 1,333 | - | - | **1,333** |
| Bonds and deposits | - | - | 328 | **328** |
| Financial assets - trust cash | 10,260 | - | - | **10,260** |
| Trade receivables | 1,950 | 298 | 444 | **2,692** |
| Other receivables | - | - | 272 | **272** |
| Related party loans and receivables | 5,984 | - | - | **5,984** |
| Trade creditors | (66) | - | - | **(66)** |
| Payables from broking, reinsurance and underwriting agency operations | (4,587) | (5,673) | - | **(10,260)** |
| Sundry creditors and accruals | (802) | - | - | **(802)** |
| Related party loans and payables | - | - | (4,641) | **(4,641)** |
| Lease liabilities | - | - | (3,980) | **(3,980)** |
| **Net maturities** | **14,072** | **(5,375)** | **(7,577)** | **1,120** |

# Note 23: FINANCIAL RISK MANAGEMENT (continued)

| Financial Instruments | < 30 days £'000 | 30-60 days £'000 | over 60 days £'000 | Total carrying amount £'000 |
|---|---|---|---|---|
| **2022** | | | | |
| Financial assets and liabilities | | | | |
| Cash and cash equivalents | 1,892 | - | - | **1,892** |
| Bonds and deposits | - | - | 328 | **328** |
| Financial assets - trust cash | 10,371 | - | - | **10,371** |
| Trade receivables | 906 | 659 | 937 | **2,502** |
| Other receivables | - | - | 47 | **47** |
| Related party loans and receivables | 3,409 | - | - | **3,409** |
| Trade creditors | (53) | - | - | **(53)** |
| Payables from broking, reinsurance and underwriting agency operations | (3,685) | (5,160) | (1,526) | **(10,371)** |
| Sundry creditors and accruals | (580) | - | - | **(580)** |
| Related party loans and payables | - | - | (5,342) | **(5,342)** |
| Lease liabilities | - | - | (3,888) | **(3,888)** |
| **Net maturities** | **12,260** | **(4,501)** | **(9,444)** | **(1,685)** |

# Note 24: AUDITORS REMUNERATION

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| *Auditor services* | | |
| Audit of consolidated financial statements | 77 | 71 |
| | | |
| *Other services* | | |
| Audit related asssurance services | - | 8 |

# Note 25: EMPLOYEES

The average monthly number of employees, including directors, during the year was 127 (2022: 121).

# Note 26: DIRECTORS' REMUNERATION

The names of directors and key management during the year are:

| Name |
|---|
| **Directors:** |
| Noel Lenihan |
| David Ezzard |
| Sami Sulaiman |
| Sindy Goldstone |
| Glenn Bremerman |
| Garry Bright (resigned 10 September 2022) |
| Peter Carroll |
| Gregory Duignan |
| Neil Clarke |
| Jeremy Lewis |
| Sharna Bullen (appointed 7 September 2022) |
| Ian Hamilton |
| |
| **Key Management:** |
| Dean Cain |
| Sharna Bullen |
| Terri Franklin |

Directors' remuneration amounted to:

| | 2023<br>£'000 | 2022<br>£'000 |
|---|---|---|
| *Compensation by category* | | |
| Short-term employment benefits | 1,650 | 1,668 |
| Post-employment benefits | 116 | 59 |
| | **1,766** | **1,727** |

The highest paid director received aggregate emoluments of £421k (2022:£348k).

Directors' and key management remuneration amounted to:

| | 2023<br>£'000 | 2022<br>£'000 |
|---|---|---|
| *Compensation by category* | | |
| Short-term employment benefits | 1,833 | 1,888 |
| Post-employment benefits | 126 | 69 |
| | **1,959** | **1,957** |

An apportionment between entities of the wider PSC Group cannot be reasonably made and therefore the total emoluments of the directors and key management are reported in these consolidated financial statements.

# Note 27: RELATED PARTY DISCLOSURES

(a) Ownership interests in related parties

Details of interests in controlled entities are set out in Note 21.

(b) Related party transactions

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year:

*Transactions with subsidiaries*

All transactions that have occurred among the subsidiaries within the consolidated entity have been eliminated for consolidation purposes.

| | Group 2023 £'000 | Group 2022 £'000 | Company 2023 £'000 | Company 2022 £'000 |
|---|---|---|---|---|
| **Amounts owed by related parties** | **5,984** | **3,409** | **1,217** | **30** |
| Related party loans - interest bearing | 4,401 | 4,401 | 4,401 | 4,401 |
| Related party payables | 240 | 941 | 4,124 | 8,065 |
| **Amounts owed to related parties** | **4,641** | **5,342** | **8,525** | **12,466** |

The Group and Company balance relates to a loan from the Group's immediate parent PSC UK Pty Limited provided for funding of the previous years' business acquisitions and to refinance the borrowings previously held with Clydesdale Bank Plc. This loan with the immediate parent has no fixed maturity. The total of the loan £4,401k (2022: £4,401k) attracts interest at SONIA plus a margin which reflects the external loan that the parent has taken out. The remaining related party balances are between companies within the PSC Insurance Group Ltd. These amounts have no defined repayment terms and will not be called until such time as this can be done without detriment to the Group.

# Note 28: ENTITY DETAILS

The Company's immediate parent undertaking is PSC UK Pty Limited, a company registered in Australia. The ultimate parent company and ultimate controlling entity is PSC Insurance Group Ltd who draws the consolidated financial statements, a company registered in Australia.

The registered office and principal place of business of the Group is:
PSC Insurance Group Limited
96 Wellington Parade
East Melbourne
Victoria, 3002