

# ANNUAL REPORT AND FINANCIAL STATEMENTS

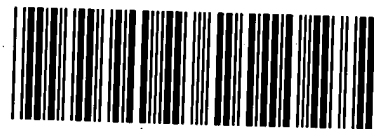
# 2020

FOR THE YEAR ENDED 31 DECEMBER 2020

## AZUR GROUP LIMITED

Registered number: 09938215

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COMPANIES HOUSE

# AZUR GROUP LIMITED

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AZUR GROUP LIMITED  
COMPANY INFORMATION

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**Directors**

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

**Company Secretary**

Vistra Company Secretaries Limited

**Company Number**

09938215

**Business Address**

Linen Court  
10 East Road  
London  
N1 6AD

**Registered Address**

First Floor  
Templeback  
10 Temple Back  
Bristol  
England  
BS1 6FL

**Bankers**

Lloyds Bank Plc  
25 Gresham Street  
London  
EC2V 7HN

**Independent Auditor**

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

## AZUR GROUP LIMITED

### STRATEGIC REPORT

The Directors present their Strategic Report on the Group for the year ended 31 December 2020. The Strategic Report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Azur Group Limited (the "Company") and its subsidiary undertakings (together the "Group") when viewed as a whole.

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

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

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

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

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

The Group also includes Broker iQ Limited and CyberGard Limited, two dormant name reservation companies, together with Azur Insurance Holdings Limited, the immediate parent company of Azur Underwriting Limited and Azur Underwriting Finance (Ireland) Limited, and Aztech Advantage (USA) Inc., which is currently dormant.

The Group adopted a remote-first working policy a week before the UK government mandated COVID-19 lock down on 23 March 2020. As a digitally-enabled business, the Group benefited from the investment made in its systems architecture and working practices and was fortunate to be able to move relatively seamlessly to remote working, ensuring the smooth continuation of services to customers. The Group did not put any employees on furlough, nor did it avail itself of any government support packages.

The Directors closely monitored BREXIT developments during 2020 as the Group's insurance intermediation business has historically been reliant on EU freedom of service provisions to distribute insurance products and provide claims handling services to insured customers across Europe. On 24 December 2020, Azur Underwriting (Ireland) Limited was authorised by the Central Bank of Ireland as a Retail Intermediary under the European Union (Insurance Distribution) Regulations 2018, enabling continuity of service to be provided post BREXIT to the Group's clients and to EU insured customers.

The Group generated a loss before tax of £5.8 million for the year, 13% (£0.68 million) higher than the previous year, reflecting:

- (i) £0.56 million higher Finance Costs, broadly attributable to servicing the shareholder debt drawn down on 23 December 2019; and a
- (ii) 2.5% (£0.13 million) increase in the operating loss, with the previous year's loss benefiting from the inclusion of £0.43 million of Research and Development tax credits relating to the period 2016 to 2018.

The Group's technology services business enjoyed a 42% (£0.7 million) increase in revenues during the year to £2.4 million with additional digital insurance products launched in the US and the EU.

## AZUR GROUP LIMITED

### STRATEGIC REPORT

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#### **Review of the business (continued)**

Insurance intermediation revenues remained flat at £5.0 million (1.5% reduction). Despite brokerage increasing by 25% to £5.94 million, total revenue remained flat at £5.0 million on account of the reversal of cumulative profit commissions previously recognised in the amount of £0.76 million, following the recording of an underwriting loss for the underwriting year.

With employment costs increasing by a mere 0.3% to stay flat at £7.8 million, notwithstanding the increase in average employee numbers from 66 to 75, the 2.9% (£0.35 million) increase in Administrative Expenses reflects the implementation of a number of cost-cutting measures in response to the economic impact of COVID-19, which significantly offset (i) £0.89 million of exceptional expenditure and (ii) a £0.19 million impairment charge in respect of capitalised software development costs which have now been fully amortised. The Group's corporate strategy and BREXIT (including set up of the Irish office) accounted for £0.65 million and £0.12 million, respectively, of the exceptional expenditure.

#### **Key performance indicators**

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

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

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

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

*Note 1 - The 23 complaints received, of which 7 were upheld, equate to 0.19% of written policies at the reporting date.*

	2020	2019
Revenue (£'000's)	7,444	6,794
Loss before tax (£'000's)	(5,815)	(5,134)
Revenue per employee (£'000's)	99	103
Number of complaints: <sup>1</sup>		
- Sales & service	5	12
- Claims handling	18	13
Average headcount	75	66
Cash and cash equivalents (£'000's)	2,033	3,275

# AZUR GROUP LIMITED

## STRATEGIC REPORT

### Capital structure

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

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

The Group currently finances its operations from the following sources:

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

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

	31 December 2020 £'000
<b>Capitalisation and indebtedness</b>	
Secured	3,970
Unguaranteed/unsecured	1,221
<b>Total current and non-current debt</b>	<b>5,191</b>
 Share capital, share premium and own share reserve	 15,213
Other reserves	3,282
Retained earnings	(18,342)
<b>Shareholders' equity</b>	<b>153</b>
 <b>Net indebtedness / resources</b>	
Cash	2,033
Total liquidity	2,033
 Current bank debt	-
Other current financial debt <sup>1</sup>	(675)
Current financial indebtedness	(675)
 Net current financial liquidity	 1,358
 Shareholder loans	 (3,970)
Other non-current financial debt	(546)
Non-current financial indebtedness	(4,516)
 <b>Net financial indebtedness</b>	 <b>(3,158)</b>

### Notes

(1) The Group has current indirect indebtedness in the form of trade finance and lease liabilities as at 31 December 2020

## AZUR GROUP LIMITED

### STRATEGIC REPORT

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#### ***Principal risks and uncertainties***

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

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

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

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

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

##### *Financial risks*

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

##### *Credit risk*

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

Such losses are minimised by performing a credit assessment on new insurers and insurance intermediaries at take-on as well as by actively monitoring aged receivables. In extremis, and with the insurer's agreement, policies of insurance can be cancelled ab initio and PaaS or SaaS services can be withdrawn for non-payment.

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

##### *Liquidity risk*

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

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

## AZUR GROUP LIMITED

### STRATEGIC REPORT

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

##### *Foreign exchange risk*

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

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

##### *Interest rate risk*

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

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

##### *Non-financial risks*

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

##### *Reputational risk*

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

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

##### *Operational risk*

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

The Group has a business continuity plan in place which is tested and enhanced on an ad hoc basis, together with policies to cover the risks of financial crime, money laundering and whistleblowing. As a digitally-enabled business, the Group supports remote, cloud-based, working practices as part of its standard operating model.



## AZUR GROUP LIMITED

### STRATEGIC REPORT

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

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

Following the authorisation of Azur Underwriting (Ireland) Limited by the Central Bank of Ireland as a Retail Intermediary under the European Union (Insurance Distribution) Regulations 2018, the Group is confident of being able to retain the EU business that would otherwise have been lost post BREXIT and has the ability to further expand its EU business.

The Group's technology business, Aztech Advantage Limited, which provides technology services in the form of Platform as a Service ("PaaS") solutions to the insurance industry, has seen a significant increase in its sales pipeline as economies in the UK, USA and EU emerge from the COVID-19 recession.

Details of significant events since the balance sheet date are contained in Note 34 to the financial statements.

#### **Going concern**

The board of directors have considered the financial position of the Group and the Company as at 31 December, 2020 and the projected cash flows and financial performance of the Group and the Company for at least twelve months from the date of approval of these financial statements. The board of directors have taken actions to ensure that appropriate long-term cash resources are in place at the date of signing the accounts to fund the Group's and the Company's operations. Accordingly, the financial statements have been prepared on a Going Concern Basis

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

By Order of the Board



Graham Elliott  
**Director**  
7 June 2021

## AZUR GROUP LIMITED

### DIRECTORS' REPORT

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The Directors present their report on the affairs of the Group, together with the audited financial statements for the year ended 31 December 2020.

#### **General information**

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

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

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

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

#### **Dividends**

The Directors do not propose the payment of a dividend for the year (2019: £nil).

#### **Research and development**

The Group continues to focus on developing its Platform as a Service ("PaaS") product offering for new products and markets in the UK, the EU and the US.

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

During the year no political donations were made by the Group. Charitable donations amounted to £2,560 (2019: £1,319).

#### **Disabled persons**

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

#### **Employee involvement**

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

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

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

# AZUR GROUP LIMITED

## DIRECTORS' REPORT

### Directors

The Directors of the Company during the year ended 31 December 2020, together with their dates of appointment and/or resignation as applicable, were:

	<u>Date of appointment</u>	<u>Date of resignation</u>
Mr GA Elliott	6 January 2016	-
Mr CJ Blackburn	1 April 2016	-
Mr I Pettifor	1 April 2016	-
Mr DQ Henriques <sup>1</sup>	26 May 2017	-
Ms KV Wells	24 September 2018	-
Ms JH Arthur (Non-Executive)	10 May 2016	-
Mr AL Brooks (Non-Executive)	10 May 2016	-
Mr RP Little (Non-Executive)	24 September 2018	-
Mr IT Robinson (Non-Executive)	1 December 2018	-
Mr BD Rugge-Price (Non-Executive)	24 September 2018	-

<sup>1</sup> DQ Henriques became Executive Chairperson on 1 March 2020 having previously been the Non-Executive Chairperson)

Subsequent to the end of the year, Mr IT Robinson resigned and was replaced by Mr AD Burk on 3 February 2021.

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

<u>Director</u>	<u>Class of share</u>	<u>Number of shares</u>	
		<u>1 January 2020</u>	<u>31 December 2020</u>
GA Elliott	Ordinary Shares of £0.001 each	1,052,995	1,052,995
CJ Blackburn	Ordinary Shares of £0.001 each	59,734	59,734
I Pettifor	Ordinary Shares of £0.001 each	57,545	57,545
RP Little	Ordinary Shares of £0.001 each	219,344	219,344

### Directors' indemnity

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

### Provision of information to auditor

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

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

## AZUR GROUP LIMITED

### DIRECTORS' REPORT

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#### **Auditor**

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

This report was approved by the Board on 7 June 2021 and signed on its behalf by



Graham Elliott  
**Director**  
7 June 2021

## AZUR GROUP LIMITED

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Parent Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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

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

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

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

## AZUR GROUP LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

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#### **Opinion**

We have audited the financial statements of Azur Group Limited (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2020 which comprise the Group Statement of Comprehensive Income, the Group and Company Statements of Financial Position, the Group and Company Statements of Changes in Equity, the Group and Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's and Parent Company's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements 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 ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

## AZUR GROUP LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

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#### **Other**

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the Group and Parent Company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

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

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

- adequate accounting records have not been kept 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 Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the Group and Parent Company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group and Parent Company 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.

## AZUR GROUP LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the Group and Company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussion with management, the application of cumulative audit knowledge and experience of the insurance market.
- We determined the principal laws and regulations relevant to the Group and Company in this regard to be those arising from the Financial Conduct Authority, the changing regulatory environment arising due to Brexit and the Group's ability to trade in the European Union and regulations that have a direct impact on the preparation of financial statements, such as the Companies Act 2006 and UK tax legislation.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the company with those laws and regulations. These procedures included, but were not limited to:
  - Review of any legal expenses incurred in the year.
  - Review of Board minutes and subsequent discussions with management on any pertinent matters noted.
  - Review of any legal and regulatory correspondence in the period.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, the risk of material misstatement due to fraud related to revenue recognition.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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



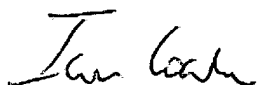
## AZUR GROUP LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

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#### Use of our report

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



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

15 Westferry Circus  
Canary Wharf  
London E14 4HD

9 June 2021

AZUR GROUP LIMITED  
GROUP STATEMENT OF COMPREHENSIVE INCOME  
for the year ended 31 December 2020

	Note	2020 £	2019 £
<b>Loss from Operations</b>			
Revenue	5	7,444,224	6,793,563
<b>Gross Profit</b>		<b>7,444,224</b>	<b>6,793,563</b>
Other income	6	-	428,054
Administrative expenses		(12,560,992)	(12,212,032)
<b>Operating Loss</b>	7	<b>(5,116,768)</b>	<b>(4,990,415)</b>
Finance income	10	9,899	6,803
Finance costs	11	(708,133)	(150,373)
<b>Loss on Ordinary Activities before Income Tax</b>		<b>(5,815,002)</b>	<b>(5,133,985)</b>
Income tax credit	13	1,343,094	848,421
<b>Loss on Ordinary Activities for the Period</b>		<b>(4,471,908)</b>	<b>(4,285,564)</b>
<b>Other Comprehensive Income for the Period, Net of Tax</b>		-	-
<b>Total Comprehensive Loss for the Period</b>		<b>£ (4,471,908)</b>	<b>£ (4,285,564)</b>

The accounting policies and notes on pages 24 to 64 form part of these financial statements.

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

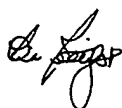
The loss for the Company for the year was £2,640,983 (2019: £79,234).

**AZUR GROUP LIMITED**  
**GROUP STATEMENT OF FINANCIAL POSITION**  
for the year ended 31 December 2020

	Note	2020 £	2019 £
<b>Assets</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	14	1,063,355	91,528
Intangible assets	15	-	286,453
Other loans and receivables	26	229,500	229,500
Deferred tax	29	3,008,886	2,227,431
		<b>4,301,741</b>	<b>2,834,912</b>
<b>Current Assets</b>			
Trade and other receivables	17	2,429,617	2,698,680
Cash and cash equivalents	18	2,033,251	3,274,836
		<b>4,462,868</b>	<b>5,973,516</b>
<b>Total Assets</b>		<b>£ 8,764,609</b>	<b>£ 8,808,428</b>
<b>Equity and Liabilities</b>			
<b>Equity Attributable to Shareholders</b>			
Share capital	19	7,010	6,600
Share premium	19	15,461,569	14,113,724
Own share reserve	19	(255,423)	(233,490)
Other reserves	20	3,282,298	1,750,170
Retained earnings	21	(18,342,471)	(13,870,563)
<b>Total Equity</b>		<b>152,983</b>	<b>1,766,441</b>
<b>Liabilities</b>			
<b>Non-current Liabilities</b>			
Borrowings	23	3,970,156	3,704,585
Lease liabilities	25	546,455	-
Other financial liabilities	24	529,459	529,459
		<b>5,046,070</b>	<b>4,234,044</b>
<b>Current Liabilities</b>			
Trade and other payables	27	2,758,973	2,361,811
Lease liabilities	25	550,769	77,793
Borrowings	23	123,735	250,408
Provisions for other liabilities and charges	28	132,079	117,931
		<b>3,565,556</b>	<b>2,807,943</b>
<b>Total Liabilities</b>		<b>8,611,626</b>	<b>7,041,987</b>
<b>Total Equity and Liabilities</b>		<b>£ 8,764,609</b>	<b>£ 8,808,428</b>

The accounting policies and notes on pages 24 to 64 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 7 June 2021, and were signed on its behalf by:



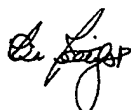
Ian Pettifor  
**Director**  
Company number 09938215

**AZUR GROUP LIMITED**  
**COMPANY STATEMENT OF FINANCIAL POSITION**  
for the year ended 31 December 2020

	<b>Note</b>	<b>2020 £</b>	<b>2019 £</b>
<b>Assets</b>			
<b>Non-current Assets</b>			
Investments	12	3,956,958	2,601,800
Other loans and receivables	26	16,380,205	14,723,187
Deferred tax	29	527,027	1,725
		<b>20,864,190</b>	<b>17,326,712</b>
<b>Current Assets</b>			
Trade and other receivables	17	471,940	365,955
Other loans and receivables	26	-	166,737
Cash and cash equivalents	18	6,961	3,023,105
		<b>478,901</b>	<b>3,555,797</b>
<b>Total Assets</b>		<b>£ 21,343,091</b>	<b>£ 20,882,509</b>
<b>Equity and Liabilities</b>			
<b>Equity Attributable to Shareholders</b>			
Share capital	19	7,010	6,600
Share premium	19	15,461,569	14,113,724
Own share reserve	19	(255,423)	(233,490)
Other reserves	20	3,282,298	1,750,170
Retained earnings	21	(2,543,062)	97,921
<b>Total Equity</b>		<b>15,952,392</b>	<b>15,734,925</b>
<b>Liabilities</b>			
<b>Non-current Liabilities</b>			
Borrowings	23	3,970,156	3,704,585
Other financial liabilities	24	529,459	529,459
		<b>4,499,615</b>	<b>4,234,044</b>
<b>Current Liabilities</b>			
Trade and other payables	27	891,084	913,540
		<b>891,084</b>	<b>913,540</b>
<b>Total Liabilities</b>		<b>5,390,699</b>	<b>5,147,584</b>
<b>Total Equity and Liabilities</b>		<b>£ 21,343,091</b>	<b>£ 20,882,509</b>

The accounting policies and notes on pages 24 to 64 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 7 June 2020, and were signed on its behalf by:



Ian Pettifor  
**Director**  
Company number 09938215

**AZUR GROUP LIMITED**  
**GROUP STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2020

Note	Attributable to Equity Shareholders of the Group:					Total £
	Share capital	Share premium	Own share reserve	Other reserves	Retained earnings	
	£	£	£	£	£	
<b>Balance as at 1 January 2020</b>	<b>6,600</b>	<b>14,113,724</b>	<b>(233,490)</b>	<b>1,750,170</b>	<b>(13,870,563)</b>	<b>1,766,441</b>
Loss for the period	-	-	-	-	(4,471,908)	(4,471,908)
Other Comprehensive Income	-	-	-	-	-	-
<b>Total Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,471,908)</b>	<b>(4,471,908)</b>
<b>Transactions with Owners</b>						
Proceeds from shares issued	19	410	1,597,845	(22,374)	-	1,575,881
Delivery of shares held by EBT to employee after option exercise	19	-	-	441	-	441
Shares to be issued – employee share schemes	20	-	-	-	1,355,158	1,355,158
Redeemable preference share adjustment	19	-	(250,000)	-	-	(250,000)
Shares to be issued – warrant embedded in term loan	20	-	-	-	176,970	176,970
<b>Total Transactions with Owners Recognised Directly in Equity</b>		<b>410</b>	<b>1,347,845</b>	<b>(21,933)</b>	<b>1,532,128</b>	<b>2,858,450</b>
<b>Balance as at 31 December 2020</b>		<b>£ 7,010</b>	<b>£ 15,461,569</b>	<b>£ (255,423)</b>	<b>£ 3,282,298</b>	<b>£ (18,342,471)</b>
						<b>£ 152,983</b>

Note	Attributable to Equity Shareholders of the Group:					Total £
	Share capital	Share premium	Own share reserve	Other reserves	Retained earnings	
	£	£	£	£	£	
<b>Balance as at 1 January 2019</b>	<b>5,449</b>	<b>12,385,201</b>	<b>-</b>	<b>372,688</b>	<b>(9,565,663)</b>	<b>3,197,675</b>
Impact of change in accounting policy	-	-	-	-	(19,336)	(19,336)
Loss for the period	-	-	-	-	(4,285,564)	(4,285,564)
Other Comprehensive Income	-	-	-	-	-	-
<b>Total Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,304,900)</b>	<b>(4,304,900)</b>
<b>Transactions with Owners</b>						
Proceeds from shares issued	1,151	1,478,523	(233,490)	-	-	1,246,184
Shares to be issued – employee share schemes	-	-	-	1,915,065	-	1,915,065
Redeemable preference share adjustment	-	250,000	-	-	-	250,000
Shares to be issued – warrant embedded in term loan	-	-	-	(525,107)	-	(525,107)
Shares to be issued – decrease in value of written options	-	-	-	(12,476)	-	(12,476)
<b>Total Transactions with Owners Recognised Directly in Equity</b>	<b>1,151</b>	<b>1,728,523</b>	<b>(233,490)</b>	<b>1,377,482</b>	<b>-</b>	<b>2,873,666</b>
<b>Balance as at 31 December 2019</b>	<b>£ 6,600</b>	<b>£ 14,113,724</b>	<b>£ (233,490)</b>	<b>£ 1,750,170</b>	<b>£ (13,870,563)</b>	<b>£ 1,766,441</b>

The accounting policies and notes on pages 24 to 64 form part of these financial statements.

**AZUR GROUP LIMITED**  
**COMPANY STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2020

	Note	Attributable to Equity Shareholders of the Company					Total
		Share capital	Share premium	Own share reserve	Other reserves	Retained earnings	
		£	£	£	£	£	£
<b>Balance as at 1 January 2020</b>		<b>6,600</b>	<b>14,113,724</b>	<b>(233,490)</b>	<b>1,750,170</b>	<b>97,921</b>	<b>15,734,925</b>
Loss for the period		-	-	-	-	(2,640,983)	(2,640,983)
Other Comprehensive Income		-	-	-	-	-	-
<b>Total Comprehensive Income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,640,983)</b>	<b>(2,640,983)</b>
<b>Transactions with Owners</b>							
Proceeds from shares issued	19	410	1,597,845	(22,374)	-	-	1,575,881
Delivery of shares held by EBT to employee after option exercise	19	-	-	441	-	-	441
Shares to be issued – employee share schemes	20	-	-	-	1,355,158	-	1,355,158
Redeemable preference share adjustment	19	-	(250,000)	-	-	-	(250,000)
Shares to be issued – warrant embedded in term loan	20	-	-	-	176,970	-	176,970
<b>Total Transactions with Owners Recognised Directly in Equity</b>		<b>410</b>	<b>1,347,845</b>	<b>(21,933)</b>	<b>1,532,128</b>	<b>-</b>	<b>2,858,450</b>
<b>Balance as at 31 December 2020</b>		<b>£ 7,010</b>	<b>£ 15,461,569</b>	<b>£ (255,423)</b>	<b>£ 3,282,298</b>	<b>£ (2,543,062)</b>	<b>£ 15,952,392</b>

	Note	Share capital	Share premium	Own share reserve	Other reserves	Retained earnings	Total
		£	£	£	£	£	£
<b>Balance as at 1 January 2019</b>		<b>5,449</b>	<b>12,385,201</b>	<b>-</b>	<b>372,688</b>	<b>177,155</b>	<b>12,940,493</b>
Loss for the period		-	-	-	-	(79,234)	(79,234)
Other Comprehensive Income		-	-	-	-	-	-
<b>Total Comprehensive Income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(79,234)</b>	<b>(79,234)</b>
<b>Transactions with Owners</b>							
Proceeds from shares issued		1,151	1,478,523	(233,490)	-	-	1,246,184
Shares to be issued – employee share schemes		-	-	-	1,915,065	-	1,915,065
Redeemable preference share adjustment		-	250,000	-	-	-	250,000
Shares to be issued – warrant embedded in term loan		-	-	-	(525,107)	-	(525,107)
Shares to be issued – decrease in value of issued options		-	-	-	(12,476)	-	(12,476)
<b>Total Transactions with Owners Recognised Directly in Equity</b>		<b>1,151</b>	<b>1,728,523</b>	<b>(233,490)</b>	<b>1,377,482</b>	<b>-</b>	<b>2,873,666</b>
<b>Balance as at 31 December 2019</b>		<b>£ 6,600</b>	<b>£ 14,113,724</b>	<b>£ (233,490)</b>	<b>£ 1,750,170</b>	<b>£ 97,921</b>	<b>£ 15,734,925</b>

The accounting policies and notes on pages 24 to 64 form part of these financial statements.

AZUR GROUP LIMITED  
GROUP STATEMENT OF CASH FLOWS  
for the year ended 31 December 2019

	Note	2020 £	2019 £
<b>Cash Flows from Operating Activities</b>			
Cash absorbed by operations	30	(2,053,411)	(2,940,217)
<b>Net Cash Absorbed by Operating Activities</b>		<b>(2,053,411)</b>	<b>(2,940,217)</b>
<b>Cash Flows from Investing Activities</b>			
Interest received		10,186	329
Purchases of property, plant and equipment	14	(21,959)	(4,771)
Loans to directors		-	(79,500)
<b>Net Cash Used in Investing Activities</b>		<b>(11,773)</b>	<b>(83,942)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issuance of ordinary shares	19	1,576,322	1,246,184
Interest paid on shareholder loans	33	(75,823)	-
Interest paid other		(986)	-
Repayment of principal amount of lease	25	(435,463)	(454,652)
Payment of interest expense on lease liabilities	11	(113,778)	(14,440)
Equity subscriptions pending share allotment	27	-	733,381
Shareholder loans drawn down	23	-	2,454,585
Other loans repaid	23	(126,673)	(116,877)
<b>Net Cash Generated from Financing Activities</b>		<b>823,599</b>	<b>3,848,181</b>
<b>Net (Decrease)/Increase in Cash, Cash Equivalents and Bank Overdrafts</b>		<b>(1,241,585)</b>	<b>824,022</b>
Cash, cash equivalents at beginning of year	18	3,274,836	2,450,814
<b>Cash and Cash Equivalents at End of Year</b>	18	<b>£ 2,033,251</b>	<b>£ 3,274,836</b>

The accounting policies and notes on pages 24 to 64 form part of these financial statements.

AZUR GROUP LIMITED  
COMPANY STATEMENT OF CASH FLOWS  
for the year ended 31 December 2019

	Note	2020 £	2019 £
<b>Cash Flows from Operating Activities</b>			
Cash absorbed by operations	30	(3,524,480)	(339,877)
<b>Net Cash Absorbed by Operating Activities</b>		<b>(3,524,480)</b>	<b>(339,877)</b>
<b>Cash Flows from Investing Activities</b>			
Interest received		498,118	418,659
Investment in subsidiary undertakings	12	-	(86,358)
Loans to subsidiary undertakings	26	(1,490,281)	(2,743,710)
Loans to directors		-	(79,500)
Dividends received from subsidiaries		-	-
<b>Net Cash Used in Investing Activities</b>		<b>(992,163)</b>	<b>(2,490,909)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issuance of ordinary shares	19	1,576,322	1,246,184
Interest paid on shareholder loans	33	(75,823)	-
Equity subscriptions pending share allotment	27	-	733,381
Shareholder loans drawn down	23	-	2,454,585
<b>Net Cash Generated from Financing Activities</b>		<b>1,500,499</b>	<b>4,434,150</b>
<b>Net (Decrease)/Increase in Cash, Cash Equivalents and Bank Overdrafts</b>		<b>(3,016,144)</b>	<b>1,603,364</b>
Cash, cash equivalents at beginning of year	18	3,023,105	1,419,741
<b>Cash and Cash Equivalents at End of Year</b>	18	<b>£ 6,961</b>	<b>£ 3,023,105</b>

The accounting policies and notes on pages 24 to 64 form part of these financial statements.



AZUR GROUP LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2019

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**1. General Information**

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

**2. Summary of significant accounting policies**

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

***Basis of preparation***

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

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

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

***Going concern***

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

The Directors have a reasonable expectation that the Group has adequate resources to continue to meet its ongoing working capital requirements and expenditure commitments and support its growth aspirations for a period of at least 12 months from the date of approval of the financial statements and to continue in operational existence for the foreseeable future. The Group, therefore, continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the Group's borrowing is given in Note 23 and Note 33.

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

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

***Amendments to IFRS 3: definition of a business***

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations, which were endorsed by the EU in April 2020. The amendments are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. The amendments:

- Clarify the minimum requirements for a business;
- Add guidance to help entities assess whether an acquired process is substantive;
- Narrow the definitions of a business and of outputs; and
- Introduce an optional fair value concentration test.

AZUR GROUP LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2020

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

***Changes in accounting policies and disclosures (continued)***

These amendments do not have a material effect on these financial statements as no transactions in scope of IFRS 3 have occurred during the period and no adjustment is required to opening retained earnings.

Amendments to IAS 1 and IAS 8: definition of material

In October 2018 the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ('the amendments'), applicable to IFRS preparers for annual periods beginning on or after 1 January 2020. The purpose is to align the definition of 'material' across the standards and to clarify certain aspects of the definition. Information is 'material' if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The revised definition is already aligned to how the Company assesses whether the effect of a change in accounting policy, change in accounting estimate or error would be considered 'material' to the primary users of the Group and Company's financial statements, hence these amendments have no specific effect on the preparation of these financial statements and are not expected to affect the preparation of future financial statements.

Conceptual framework for financial reporting

In March 2018 the IASB published a revised Conceptual Framework for Financial Reporting, often referred to as the 'Conceptual Framework', applicable to IFRS preparers for annual periods beginning on or after 1 January 2020. The Conceptual Framework provides guidance to preparers on determining accounting policies where no specific IFRS or IAS standard applies to a particular transaction or where a standard allows for an accounting policy choice. It includes limited revisions of definitions of an asset and a liability, as well as new guidance on measurement and derecognition, presentation and disclosure. The concept of prudence has been reintroduced with the statement that prudence supports neutrality. The Conceptual Framework is not an IFRS standard and does not replace any specific standards. The changes in the Conceptual Framework are not considered material to the Group and Company since all of the Group's and Company's significant accounting policies are derived from specific IFRS or IAS standards.

Interest rate benchmark reform – phase 1 amendments to IFRS 9, IAS 39 and IFRS 7

Interest rate benchmark reform is a global initiative to replace or reform interbank offered rates (IBORs) that are used to determine interest cash flows on financial instruments such as loans to customers, debt securities and derivatives. The objective of the reforms is to replace IBORs with alternative nearly risk-free rates (RFRs) that are based on actual market transactions. The IFRS amendments include reliefs which apply to all hedging relationships that are directly affected by interest rate benchmark reform by allowing entities to assume the benchmark interest rate is not altered as a result of IBOR reform. The Group and Company does not have any hedge relationships and therefore this amendment does not materially impact the financial statements of the Group and Company.

(b) New standards and interpretations not yet adopted

A number of amendments to standards and interpretations are effective for annual periods beginning after 1 January 2021 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group or Parent Company.

AZUR GROUP LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2020

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

***Consolidation***

***Subsidiaries***

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

***Basis of consolidation***

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

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

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

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

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

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

AZUR GROUP LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2020

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

***Foreign currency translation***

**Functional and presentation currency**

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

**Transactions and balances**

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

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

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

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

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

AZUR GROUP LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2020

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

***Property, plant and equipment***

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

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

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

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

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

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

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

***Intangible assets***

**Computer software**

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

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

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

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

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AZUR GROUP LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
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**2. Summary of significant accounting policies (continued)**

***Financial assets***

The Group classifies its financial assets into the following categories:

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

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

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

- a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Otherwise the Group measures its financial assets at Fair Value through Other Comprehensive Income or Fair Value through profit or loss.

**Impairment of financial assets**

**Assets carried at amortised cost**

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

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

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

**Offsetting financial instruments**

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

AZUR GROUP LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
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**2. Summary of significant accounting policies (continued)**

***Financial assets (continued)***

**Cash and cash equivalents**

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

**Insurance intermediation debtors and creditors**

As a Managing General Agent the subsidiary undertakings, Azur Underwriting Limited and Azur Underwriting (Ireland) Limited, act as agents in the placement of insurable risks on a risk-transfer basis on behalf of insurers and are not liable, as principal, for amounts arising from such transactions.

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

**Trade receivables**

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

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

**Contract assets**

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

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

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

AZUR GROUP LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2020

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

***Financial liabilities***

**Trade payables**

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

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

**Contract liabilities**

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

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

**Borrowings**

Borrowings are recognised initially at cost, with transaction costs directly attributable to the loan issuance added to its cost. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings, using the effective interest method.

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

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

**Other financial liabilities**

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



AZUR GROUP LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2020

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

***Financial liabilities (continued)***

**Trade finance**

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

***Share capital***

Ordinary shares are classified as equity.

***Current and deferred income tax***

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

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

As a form of taxable income, the cash value of Research and Development Tax Credits ("RDEC") received/receivable from HM Revenue & Customs are grossed up at the prevailing corporation tax rate and recorded as Other Income. SME Research & Development tax credits ("R&D") received/receivable from HM Revenue & Customs do not constitute taxable income and are recorded in the Statement of Comprehensive Income as a credit to corporation tax.

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

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

AZUR GROUP LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
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**2. Summary of significant accounting policies (continued)**

***Current and deferred income tax (continued)***

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

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

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

***Employee benefits***

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

**Pension obligations**

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

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

**Bonus plans**

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

**Share-based payments**

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

AZUR GROUP LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
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**2. Summary of significant accounting policies (continued)**

***Employee benefits (continued)***

The fair value of the employee services received by subsidiary undertakings in exchange for the grant of the options is recognised as an expense and the corresponding entry treated as a capital contribution in Other Reserves in the subsidiary undertaking. The Company recognises the cost as an additional cost of investment in the subsidiary with a corresponding increase in shares to be issued. The total amount to be expensed is determined by reference to the fair value of the options granted:

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

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

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

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

***Provisions***

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense. Specific provisions are referred to in Note 4.

***Revenue recognition***

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

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

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

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

***Revenue recognition (continued)***

**Insurance intermediation**

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

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

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

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

**Technology services**

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

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

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

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

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

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

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

***Revenue recognition (continued)***

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

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

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

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

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

**Other income**

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

**Leases**

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

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

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

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

***Leases (continued)***

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

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

***Short-term leases and leases of low-value assets***

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

***Dividend distribution***

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

**3. Financial risk management**

***Financial risk factors***

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

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

***Credit risk***

Credit risk is managed on a Group basis.

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

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

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

***Financial risk factors (continued)***

**Liquidity risk**

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

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>At 31 December 2020</b>				
Borrowings	£ 123,735	£ 2,470,156	£ -	£ 1,500,000
Trade and other payables <sup>1</sup>	£ 2,689,547	£ -	£ -	£ -
Lease liabilities	£ 550,769	£ 546,455	£ -	£ -
<b>At 31 December 2019</b>				
Borrowings	£ 250,408	£ -	£ 2,454,585	£ 1,250,000
Trade and other payables <sup>1</sup>	£ 2,316,010	£ -	£ -	£ -
Lease liabilities	£ 77,793	£ -	£ -	£ -

<sup>1</sup> Exclude statutory liabilities.

**Foreign exchange risk**

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

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

**Interest rate risk**

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

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

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**4. Critical accounting estimates and judgements**

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

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

***Profit commission***

Profit commission arising from the placement of insurance contracts or the exercise of an underwriting agency by the Group is recognised when the right to such profit commission is established through a contract, but only to the extent that (i) a reliable estimate of the amount due can be made and (ii) it is highly probable that the amount recognised will not be subject to a significant reversal in the amount of the cumulative revenue recognised.

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

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

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

***Post-placement services provision***

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

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**4. Critical accounting estimates and judgements (continued)**

***Cancelled service premium provision***

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

**5. Revenue**

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

	2020 £	2019 £
Income from insurance intermediation:		
- Brokerage	5,939,994	4,765,336
- Written premium volume contributions paid to brokers	(191,250)	(70,380)
- Profit commission	(762,249)	365,526
	<u>4,986,495</u>	<u>5,060,482</u>
Insurance accounting & settlement and claims handling fees	45,000	45,000
Income from technology services:		
- PaaS Development Fees	2,152,725	1,468,604
- PaaS Service Fees	232,674	215,110
- PaaS consultancy fees	8,100	4,050
	<u>2,393,499</u>	<u>1,687,764</u>
Miscellaneous Income	19,230	317
	<u><b>£ 7,444,224</b></u>	<u><b>£ 6,793,563</b></u>

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

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**6. Other income**

	<b>2020</b>	<b>2019</b>
RDEC tax credits	<u>£ -</u>	<u>£ 428,054</u>

Research and Development tax credits ("RDEC") relating to the period 2016 to 2018 were approved by HMRC during 2019. The associated cash receipts in the aggregate of £54,390, £136,430 and £154,903 in respect of tax years 2016, 2017 and 2018 were received by Group undertakings on 7 February 2019, 6 September 2019 and 20 January 2020, respectively.

In accordance with accounting policy RDEC tax credits are grossed up at the prevailing rate of corporation tax and disclosed as Other Income.

In 2020 Group undertakings became eligible to apply for SME Research & Development tax credits ("R&D"). R&D tax credits received/receivable from HM Revenue & Customs do not constitute taxable income and are recorded in the Statement of Comprehensive Income as a credit to corporation tax.

**7. Operating loss**

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

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Auditor remuneration (Note 8)	52,579	31,000
Depreciation (Note 14)	18,524	32,510
Depreciation right-of-use asset (Note 14)	486,502	443,400
Amortisation & impairment (Note 15)	286,453	95,485
FX losses	33,102	13,376
Gain from early termination of the office lease	-	7,954

**8. Auditor remuneration**

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

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Fees payable to the Company's auditor and its associates for the audit of the Company and consolidated financial statements	11,500	10,500
Fees payable to the Company's auditor and its associates for other services:		
- Audit services to the Company's subsidiaries	28,500	20,500
- Additional fees payable for prior year audit services	6,885	-
	<u>46,885</u>	<u>31,000</u>
Fees payable to the separate auditor of the Company's Irish subsidiary for audit services	5,694	-
	<u><b>£ 52,579</b></u>	<u><b>£ 31,000</b></u>

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**9. Information regarding employees**

***Employee expense***

<b>Group</b>	<b>2020 £</b>	<b>2019 £</b>
Wages and salaries	5,264,825	4,856,468
Share options granted to Directors and employees (Note 22)	1,355,158	1,915,065
Social security costs	697,439	637,496
Pension costs – defined contribution plans	284,025	242,672
Other staff costs	243,131	172,384
	<b>£ 7,844,578</b>	<b>£ 7,824,085</b>

***Average number of people employed***

<b>Group</b>	<b>2020</b>	<b>2019</b>
Average number of people (including executive Directors) employed:		
Underwriting	28	21
Technology services	23	22
Claims handling & insurance premium accounting & settlement	8	6
Administration	16	17
	<b>75</b>	<b>66</b>

**Company**

The Company had no employees during the year (2019: nil)

**10. Finance income**

	<b>2020 £</b>	<b>2019 £</b>
Interest on bank deposits	4,449	770
Interest on directors' loans (Note 33)	5,450	6,033
	<b>£ 9,899</b>	<b>£ 6,803</b>

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**11. Finance costs**

	2020 £	2019 £
Interest expense:		
- Shareholder loan (Note 23)	255,828	6,598
- Lease interest expense (Note 25)	113,778	14,440
Preference shares 10% cumulative dividend (Note 23)	145,000	124,865
Amortisation of shareholder loan transaction costs	15,571	-
Amortisation of warrant shares (Note 24)	176,970	4,352
Other finance costs	986	118
	<b>£ 708,133</b>	<b>£ 150,373</b>

**12. Investments**

*Principal subsidiaries*

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

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

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**12. Investments (continued)**

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

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

All subsidiary undertakings are included in the consolidation.

***Investments in subsidiaries***

	<b>Shares in group undertakings £</b>
<b>Cost and net book value:</b>	
At 1 January 2020	2,601,800
- Additions in year	-
- Capital contribution relating to share-based payments (Note 22)	1,355,158
<b>31 December 2020</b>	<b>£ 3,956,958</b>

**13. Income tax**

	<b>2020 £</b>	<b>2019 £</b>
<b>Current tax:</b>		
Current tax on loss for the year	(562,911)	(478,693)
Adjustments in respect of prior years	(16)	-
<b>Total current tax</b>	<b>(562,927)</b>	<b>(478,693)</b>
<b>Deferred tax (Note 29):</b>		
Origination and reversal of temporary differences	(534,048)	(369,924)
Adjustments in respect of prior periods	14,031	196
Effect of tax rate change on opening balance	(260,150)	-
<b>Total deferred tax</b>	<b>(780,167)</b>	<b>(369,728)</b>
<b>Income tax credit</b>	<b>£ (1,343,094)</b>	<b>£ (848,421)</b>

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**13. Income tax (continued)**

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

	2020 £	2019 £
Loss before tax	(5,815,002)	(5,133,985)
Tax calculated at standard rate of corporation tax in the UK for the year of 19% (2019: 19%)	(1,104,850)	(975,457)
Tax effects of:		
- Expenses not deductible for tax purposes	343,008	415,860
- Fixed asset differences	45,945	15,289
- Non-taxable intragroup income	-	140,030
- Other permanent differences	(1,546)	178
- Additional deduction for SME R&D expenditure	(562,281)	(553,067)
- Surrender of tax losses for SME R&D tax credit refund	174,697	148,561
- RDEC expenditure credits	-	(81,330)
- Adjustments to tax charge in respect of prior periods	14,016	196
- Difference in tax rate for Irish subsidiary	8,067	1,701
- Impact of change in accounting policy	-	(3,673)
- Re-measurement of deferred tax due to change in the UK tax rate	(260,150)	43,291
<b>Income tax credit</b>	<b>£ (1,343,094)</b>	<b>£ (848,421)</b>

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**14. Property, plant and equipment**

	Right-of-use assets; buildings £	IT & comms equipment £	Office equipment £	Total £
<b>Cost or valuation</b>				
At 1 January 2020	521,064	74,930	52,704	648,698
Additions	1,454,894	-	21,959	1,476,853
Disposals	-	(26,620)	(7,146)	(33,766)
<b>At 31 December 2020</b>	<b>1,975,958</b>	<b>48,310</b>	<b>67,517</b>	<b>2,091,785</b>
<b>Depreciation</b>				
At 1 January 2020	443,400	70,348	43,422	557,170
Charge for the year	486,502	4,582	13,942	505,026
Disposals	-	(26,620)	(7,146)	(33,766)
<b>At 31 December 2020</b>	<b>929,902</b>	<b>48,310</b>	<b>50,218</b>	<b>1,028,430</b>
<b>Net book amount</b>				
At 1 January 2020	£ 77,664	£ 4,582	£ 9,282	£ 91,528
<b>At 31 December 2020</b>	<b>£ 1,046,056</b>	<b>£ -</b>	<b>£ 17,299</b>	<b>£ 1,063,355</b>

Depreciation expense of £505,026 (2019: £475,910) has been charged to Administrative Expenses.

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**15. Intangible assets**

	Software development costs £
<b>Cost or valuation</b>	
At 1 January 2020	575,488
Additions	-
<b>At 31 December 2020</b>	<b>575,488</b>
<b>Amortisation and impairment</b>	
At 1 January 2020	289,035
Amortisation charge for the year	92,903
Impairment charge for the year	193,550
<b>At 31 December 2020</b>	<b>575,488</b>
<b>Net book value</b>	
At 1 January 2020	£ 286,453
<b>At 31 December 2020</b>	<b>£ -</b>

An impairment charge of £193,550 was recognised by the Group in July 2020 due to the release of improved configurable software tools by vendors rendering elements of completed development work obsolete.

**16. Financial instruments by category**

**Group**

	31 December 2020 Loans and receivables £	31 December 2019 Loans and receivables £
<b>Assets per Statement of Financial Position</b>		
Trade and other receivables, excluding prepayments and accrued income (Note 17)	1,626,530	1,643,601
Cash and cash equivalents	2,033,251	3,274,836
<b>Total</b>	<b>£ 3,659,781</b>	<b>£ 4,918,437</b>



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16. Financial instruments by category (continued)

Group (continued)

	31 December 2020 Other financial liabilities at amortised cost £	31 December 2019 Other financial liabilities at amortised cost £
<b>Liabilities per Statement of Financial Position</b>		
Borrowings (Note 23)	4,093,891	3,954,993
Trade and other payables, excluding statutory liabilities (Note 27)	2,689,547	2,316,010
Lease liabilities (Note 25)	1,097,224	77,793
<b>Total</b>	<b>£ 7,880,662</b>	<b>£ 6,348,796</b>

Company

	31 December 2020 Loans and receivables £	31 December 2019 Loans and receivables £
<b>Assets per Statement of Financial Position</b>		
Other loans and receivables (Note 26)	16,380,205	14,889,924
Cash and cash equivalents	6,961	3,023,105
<b>Total</b>	<b>£ 16,387,166</b>	<b>£ 17,913,029</b>

	31 December 2020 Other financial liabilities at amortised cost £	31 December 2019 Other financial liabilities at amortised cost £
<b>Liabilities per Statement of Financial Position</b>		
Borrowings (Note 23)	3,970,156	3,704,585
Trade and other payables, excluding statutory liabilities (Note 27)	891,084	913,540
<b>Total</b>	<b>£ 4,861,240</b>	<b>£ 4,618,125</b>

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**17. Trade and other receivables**

<b>Group</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Trade debtors	936,878	830,730
Other receivables	126,740	179,275
Tax receivable	562,912	633,596
Prepayments and accrued income	803,087	1,055,079
	<b>£ 2,429,617</b>	<b>£ 2,698,680</b>

Tax receivable includes £562,912 (2019: £478,693) of SME R&D Tax Credits receivable by Group undertakings. In addition, in 2019 tax receivable includes £154,903 of Research & Development Tax Credits.

<b>Company</b>	<b>2020</b>	<b>2019</b>
Prepayments and accrued income	<b>£ 471,940</b>	<b>£ 365,955</b>

**18. Cash and cash equivalents**

<b>Group</b>	<b>2020</b>	<b>2019</b>
Cash at bank and in hand	<b>£ 2,033,251</b>	<b>£ 3,274,836</b>

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

	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	<b>£ 2,033,251</b>	<b>£ 3,274,836</b>

<b>Company</b>	<b>2020</b>	<b>2019</b>
Cash at bank and in hand	<b>£ 6,961</b>	<b>£ 3,023,105</b>

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

	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	<b>£ 6,961</b>	<b>£ 3,023,105</b>

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**19. Share capital, share premium and own share reserve**

	Number of shares (‘000’s)	Ordinary shares £	Share premium £	Own share reserve £	Total £
At 1 January 2020	6,600,319	6,600	14,113,724	(233,490)	13,886,834
Issue of shares	409,883	410	1,597,845	(22,374)	1,575,881
Exercise of EMI Share options	-	-	-	441	441
Redeemable preference share issued	125,000	-	(250,000)	-	(250,000)
<b>At 31 December 2020</b>		<b>£ 7,010</b>	<b>£ 15,461,569</b>	<b>£ (255,423)</b>	<b>£ 15,213,156</b>

The total authorised number of ordinary shares is 7,010,202 with a par value of £0.001 per share and 750,000 10% Cumulative Redeemable Preference Shares with a par value of £2.00.

Save in the event of listing, sale or winding-up of the Company, the preference shares carry no rights to participate in the profits or assets of the Company nor do they enjoy any voting rights except in votes pertaining to the rights attaching to the preference shares. In the event of an exit, the redeemable preference shareholder shall be entitled to receive £2.00 per share plus the fixed 10% cumulative annual dividend, calculated on a daily basis from the date of issue of each redeemable preference share. The Company may redeem a minimum of 125,000 redeemable preference shares at any time by serving a notice of redemption.

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

The Series A+ equity fund raise was closed in March 2020 following receipt of approval from the Financial Conduct Authority for an institutional investor to return to being a greater than 20% shareholder, with the following share issuance taking place during the reporting period:

- On 10 January 2020 12,539 ordinary shares of £0.001 each were issued at £5.069 to existing EIS investors;
- On 20 March 2020 298,344 ordinary shares of £0.001 each were issued at £5.069 to existing Institutional investors; and
- On 20 March 2020 125,000 10% Cumulative Redeemable Preference shares of £2 each were issued to the existing preference shareholder for nil monetary consideration.

On 24 February 2020, a former employee exercised options over 1,708 ordinary shares at an exercise price of £0.258.

The Azur Group Employee Benefit Trust subscribed for 99,000 ordinary shares of £0.001 each issued at 22.6p on 16 June 2020.

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**20. Other reserves**

	Shares to be issued in settlement of EMI Share options (Note 22) £	Reserve for amortisation of fair value of embedded warrant (Note 24) £	Shares to be issued in settlement of Founder's warrant (Note 33) £	Total  £
At 1 January 2020	2,240,439	(525,107)	34,838	1,750,170
Amortisation of warrant shares	-	176,970	-	176,970
Share options issued to employees	1,355,158	-	-	1,355,158
<b>At 31 December 2020</b>	<b>£ 3,595,597</b>	<b>£ (348,137)</b>	<b>£ 34,838</b>	<b>£ 3,282,298</b>

**21. Retained earnings**

**Group**

	2020 £
At 1 January 2020	(13,870,563)
Loss for the year	(4,471,908)
<b>At 31 December 2020</b>	<b>£ (18,342,471)</b>

**Company**

	2020 £
At 1 January 2020	97,921
Loss for the year	(2,640,983)
<b>At 31 December 2020</b>	<b>£ (2,543,062)</b>

**22. Share-based payments**

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

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

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**22. Share-based payments (continued)**

The outstanding awards by scheme are as follows:

Scheme	Number of Recipients	Optioned shares	Grant date	Expiry date	Exercise price £	Fair value at grant date £
Azur Group EMI Option Plan:						
- 2017 grants	1	5,000	31/05/17	30/05/27	0.130	1.69
- 2019 grants	42	739,000	16/09/19	15/09/29	0.258	4.48
- 2020 grants	10	235,917	19/06/20	18/06/30	0.226	4.68
Unapproved options:						
- 2017	1	5,000	02/02/17	01/02/27	0.041	0.16
- 2018	1	8,000	12/02/18	11/02/28	0.130	0.61
- 2019	3	27,000	16/09/19	15/09/29	0.258	4.49
- 2020	1	30,000	19/06/20	18/06/30	0.226	4.68

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

	Number of recipients	Optioned shares	Weighted average exercise price £
Outstanding at 1 January 2020	46	775,500	0.257
Surrendered during the period	(4)	(32,167)	0.256
Granted during the period	11	238,292	0.226
Exercised during the period	1	(1,708)	0.258
Lapsed during the period	-	-	-
Outstanding at the end of the year	<b>47</b>	<b>979,917</b>	<b>£ 0.250</b>
Exercisable at the end of the year	<b>43</b>	<b>455,151</b>	<b>£ 0.257</b>

Of the 979,917 options outstanding, 455,151 (2019: 375,696) were exercisable at the reporting date.

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

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

During the financial year 1,708 EMI options were exercised (2019: nil).

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**22. Share-based payments (continued)**

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

	Number of recipients	Optioned shares	Weighted average exercise price £
Outstanding at the 1 January 2020	3	40,000	0.205
Granted during the period	1	30,000	0.226
Exercised during the period	-	-	-
Lapsed during the period	-	-	-
Outstanding at the end of the year	<b>3</b>	<b>70,000</b>	<b>£ 0.214</b>
Exercisable at the end of the year	<b>3</b>	<b>19,332</b>	<b>£ 0.166</b>

No unapproved options were exercised during the year (2019: nil).

Of the 70,000 unapproved options outstanding, 19,332 (2019: 12,750) were exercisable at the reporting date.

	2020	2019
Total share-based payment expense/ recognised in the year	<b>£ 1,355,158</b>	<b>£ 1,915,065</b>

The fair value of options granted during the period, determined using the Black-Scholes valuation model, was £4.68 per option. The significant inputs into the model were the share price of £4.9036 at the grant date, the exercise price of 22.6p, volatility of 18.5%, dividend yield of 0%, expected option life of 3 years and an annual risk-free interest rate of 0.005%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last 5 years.

The aggregate life-to-date expense recognised in respect of the EMI Share option and the unapproved share option schemes in the subsidiaries where the option holders are employed is £3,595,597 (2019: £2,240,439). In the Company this is recognised in Other Reserves in the Statement of Financial Position with a corresponding increase in cost of investment in subsidiaries.

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

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

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

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**22. Share-based payments (continued)**

On 16 September 2019 a Deed of Grant was executed granting options under the EMI Plan 2019 to 46 employees over 772,000 ordinary shares of £0.001 each in the Company at an option price of 25.8 pence in accordance with the terms of the Option Agreements, Grant Letters, the Rules of the Plan and the Articles as presented to the Remuneration Committee on 12 September 2019.

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

On surrender of the EMI Plan 2016 options in August 2019, an amount representing the vested portion of the share options surrendered was credited to the Statement of Comprehensive Income.

**23. Borrowings**

**Group and Company**

	2020 £	2019 £
<b>Non-current</b>		
Shareholder loan (Note 33)	2,470,156	2,454,585
Preference shares (Note 33)	1,500,000	1,250,000
	<u>£ 3,970,156</u>	<u>£ 3,704,585</u>

**Group**

	2020	2019
<b>Current</b>		
Other loans	<u>£ 123,735</u>	<u>£ 250,408</u>

**Summary of borrowings**

Lender	Loan type	Maturity date	Interest rate	Principal amount £	Fair value £
AIG Property Casualty International, LLC	Cumulative Redeemable Preference Shares of £2 each	Undated	10%	1,500,000	1,500,000
Mr RP Little	Non-amortising 3-year term loan	19/12/22	1 Month LIBOR + 10%	2,500,000	2,470,156
biBerk Insurance Services Inc. and BHHC Specialty Risk, LLC	Trade finance	-	-	123,735	123,735

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**23. Borrowings (continued)**

***Summary of borrowings (continued)***

The 750,000 fully-paid redeemable preference shares are mandatorily redeemable on occurrence of an exit event.

The non-amortising 3-year term loan in the amount of £2.5 million was fully drawn down on 23 December 2019. The loan is repayable on 19 December 2022 and includes interest payable at 1-month LIBOR plus 10%. As at 31 December 2020, the drawn down amount (net of transaction costs) of £2,470,156 (2019: £2,454,585) remained outstanding together with £186,603 (2019: £6,598) of accrued interest. The loan is secured by way of a fixed and floating charge over the assets of the Company.

The loan includes a warrant to subscribe for 108,048 ordinary shares which is disclosed as a Non-current Other Financial Liability (see Note 24).

The trade finance loan represents an Initial Fee of USD \$350,000 advanced to the subsidiary company Aztech Advantage Limited ("Aztech") on the signing of a Development, Servicing and Licencing Agreement with biBerk Insurance Services Inc. and BHHC Specialty Risk, LLC (together "Berkshire Hathaway") to develop a proof-of-concept platform. A further USD \$150,000 Operational Start Fee was advanced on the delivery date of the proof-of-concept platform. Effective from the commencement of operation, a use-based service fee is paid by Berkshire Hathaway for Aztech's maintenance and operation of the platform. Berkshire Hathaway is only required to pay £0.50 of every £1.00 of the service fee due with the residual offset against the aggregate of the Initial Fee and Operational Start Fee. Having successfully delivered the platform the Initial Fee and Operational Start Fee are non-refundable with the balance of the liability to be earned out over the duration of the ongoing operation contract. Should Berkshire Hathaway discontinue use of the platform for any reason, the balance of the loan would be recognised in income.

**24. Other financial liabilities**

	2020	2019
<b>Non-current</b>		
Warrant embedded derivative	<b>£ 529,459</b>	£ 529,459

The warrant, embedded within the £2.5 million 3-year term loan extended by the shareholder RP Little, confers the right to subscribe for 108,048 ordinary shares of £0.001 each at a total cost of £108 at any time during the exercise period, which expires on 19 March 2025. The warrant is treated as an embedded derivative and valued separately at £529,459 (2019: £529,459) using the Series A+ fund raise post money equity value per share. The fair value is taken to the profit and loss over the three-year term of the loan to match the expected period over which the economic benefit of the underlying loan will be in place. Amortisation of £176,970 (2019: £4,352) was recognised in the income statement during the year.



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**25. Lease liabilities**

	2020 £	2019 £
Lease liabilities:		
- less than 1 year	550,769	77,793
- between 1 and 2 years	546,455	-
	<u>£ 1,097,224</u>	<u>£ 77,793</u>

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

	2020 £
At 1 January 2020	77,793
Recognition of lease liability on lease inception	1,454,894
Interest expense	113,778
Lease payments	<u>(549,241)</u>
<b>At 31 December 2020</b>	<b><u>£ 1,097,224</u></b>

Lease liabilities are initially measured at the present value of lease payments outstanding at the commencement date, discounted using the interest rate implicit in the lease. For the year ended 31 December 2020, the interest rate implicit in the Group's lease was 15% (2019: 15%). VAT (including irrecoverable VAT) is excluded from the measurement of the lease liability as it does not constitute a lease payment under IFRS16.

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

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

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**25. Lease liabilities (continued)**

The Group has elected not to recognise lease liabilities for short-term leases that have a term of twelve months or less or for leases of low-value assets. The amount expensed in the year to the Statement of Comprehensive Income in respect of leases not included in the measurement of lease liabilities is £19,829 (2019: £11,208).

	Present value of minimum lease payments 2020 £	Minimum lease payments 2020 £
Amounts payable under finance leases:		
- within 1 year	574,276	678,956
- 2 to 5 years	431,567	585,055
- after 5 years	-	-
	1,005,843	1,264,011
Less: future finance charges	-	(166,787)
	<b>£ 1,005,843</b>	<b>£ 1,097,224</b>

***Leases not yet commenced to which the Group is committed***

At the reporting date the Group had no (2019: £1,735,071) commitments in respect of leases which had not commenced:

**26. Other loans and receivables**

**Group**

	2020	2019
<b>Non-current</b>		
Directors loans (Note 33)	<b>£ 229,500</b>	£ 229,500

**Company**

	2020 £	2019 £
<b>Non-current</b>		
Loans to subsidiary undertakings (Note 33)	16,150,705	14,493,687
Directors loans (Note 33)	229,500	229,500
	<b>£ 16,380,205</b>	£ 14,723,187

	2020	2019
<b>Current</b>		
Loans to subsidiary undertakings (Note 33)	£ -	£ 166,737

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**27. Trade and other payables**

**Group**

	2020 £	2019 £
Trade payables	89,216	139,883
Contract liabilities	762,249	-
Other creditors	158,701	733,383
Social security and other taxes	69,426	45,801
Accrued expenses and deferred income	1,186,818	1,275,187
Accrued interest on shareholder loans	492,563	167,557
	<b>£ 2,758,973</b>	<b>£ 2,361,811</b>

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

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

	Profit commissions £
At 1 January 2020	-
Revenue reversed	762,249
<b>31 December 2020</b>	<b>£ 762,249</b>

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

**Company**

	2020 £	2019 £
Other creditors	-	733,383
Accrued expenses and deferred income	398,521	12,600
Accrued interest on shareholder loans	492,563	167,557
	<b>£ 891,084</b>	<b>£ 913,540</b>

Other creditors in 2019 includes £733,381 in respect of the advance receipt of funds for equity subscriptions pending the completion of the Group's Series A+ equity fund raise and subsequent share issuance.

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**28. Provisions for other liabilities and charges**

The movement in provisions is as follows:

	Post- placement claims handling services £	Cancelled service premium £	Total £
At 1 January 2020	100,000	17,931	117,931
Income statement charge	-	15,840	15,840
Foreign currency revaluation gain	-	(1,692)	(1,692)
<b>31 December 2020</b>	<b>£ 100,000</b>	<b>£ 32,079</b>	<b>£ 132,079</b>

**29. Deferred income tax**

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

**Group**

	2020	2019
Deferred tax assets:		
- Deferred tax asset to be recovered after more than 12 months	<u>£ 3,008,886</u>	<u>£ 2,227,431</u>

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

	2020 £
At 1 January 2020	2,227,431
Income statement credit (Note 13)	780,167
Foreign currency revaluation gain	<u>1,288</u>
<b>31 December 2020</b>	<b><u>£ 3,008,886</u></b>

**Company**

	2020	2019
Deferred tax assets:		
- Deferred tax asset to be recovered after more than 12 months	<u>£ 527,027</u>	<u>£ 1,725</u>

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

	2020 £
At 1 January 2020	1,725
Income statement credit	<u>525,302</u>
<b>At 31 December 2020</b>	<b><u>£ 527,027</u></b>

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**29. Deferred income tax (continued)**

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

**30. Cash absorbed by operations**

**Group**

	<b>2020</b> <b>£</b>	<b>2019</b> <b>£</b>
Loss before income tax	(5,815,002)	(5,133,985)
Adjustments for:		
- Finance income	(9,899)	(6,803)
- Finance costs	708,133	150,373
- Decrease in value of options granted	-	(12,476)
- Depreciation	18,524	32,510
- Depreciation of right-of-use asset	486,502	443,400
- Amortisation and impairment charge	286,453	95,485
- Gain arising from early termination of office lease	-	(7,954)
- Increase in contract liabilities	762,249	-
- Unrealised exchange gains	(2,980)	(6,694)
- Share-based payments	1,355,158	1,915,065
- Decrease/(Increase) in trade and other receivables	831,688	(940,738)
- (Decrease)/Increase in trade and other payables	(690,077)	485,069
- Increase in provisions	15,840	46,531
<b>Cash absorbed by operations</b>	<b>£ (2,053,411)</b>	<b>£ (2,940,217)</b>

**Company**

	<b>2020</b> <b>£</b>	<b>2019</b> <b>£</b>
Loss before income tax	(3,166,285)	(79,234)
Adjustments for:		
- Finance income	(604,102)	(418,659)
- Finance costs	593,369	135,815
- Decrease in trade and other receivables	-	31,690
- (Decrease)/Increase in trade and other payables	(347,462)	2,987
- Decrease in value of options granted	-	(12,476)
<b>Cash absorbed by operations</b>	<b>£ (3,524,480)</b>	<b>£ (339,877)</b>

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**31. Contingencies**

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

**32 Business combinations**

No acquisitions took place in the year ended 31 December 2020 or the year ended 31 December 2019.

No acquisition-related costs, chargeable to Administrative Expenses in the Group Statement of Comprehensive Income, were therefore incurred for the year ended 31 December 2020 (2019: £nil).

**33. Related parties**

**Group and Company**

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

The following transactions were carried out with related parties:

***Loan provided by shareholder***

A non-amortising 3-year term loan for £2.5 million was provided by the shareholder Mr RP Little and fully drawn down on 23 December 2019. The loan is repayable on 19 December 2022, carries interest at 1-month LIBOR plus 10% and is secured by way of a fixed and floating charge over the assets of the Company. As at 31 December 2020, the amount outstanding net of transaction costs was £2,470,156 (2019: £2,454,585) together with £186,603 of accrued interest (2019: £6,598). Accrued interest of £75,823 (2019: £nil), covering the period from 23 December 2019 to 5 April 2020 was cash settled on 3 April in accordance with the loan terms.

The loan contains an embedded warrant which confers the right to subscribe for 108,048 ordinary shares of £0.001 each at a total cost of £108 at any time during the exercise period, which expires on 19 March 2025. The warrant is treated as an embedded derivative, distinct from its host contract the 3-year term loan, and has been valued at £529,459, using the Series A+ fund raise post money equity share valuation. As at 31 December 2020, £348,137 (2019: £525,107) has been charged to Other Reserves.

***Preference shares held by shareholder***

At the beginning of the year the shareholder AIG Property Casualty International, LLC ("AIG") held 625,000 10% Cumulative Redeemable Preference Shares of £2 each. On 20 March 2020, a further 125,000 Preference Shares were issued to AIG for nil monetary consideration. As at 31 December 2020 £305,960 (2019: £160,959) of the cumulative 10% dividend was outstanding.

***Directors' loans***

At the reporting date, the Company has extended loans to Directors in the amount of £229,500 (2019: £229,500). Directors' Loans have a 3-year term, bear interest at the "Official Rate" set annually by HM Revenue & Customs and are collateralised by shares owned by the borrowing-director in the Company. The aggregate value of loans to any one director shall not exceed 60% of the estimated market value of the shares at the date of signing of the most recent loan agreement. Accrued interest of £5,737 was paid on 24 March 2020.

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**33. Related parties (continued)**

**Group and Company (continued)**

***Options held by the Founder***

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

***Key management compensation***

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

	2020 £	2019 £
Salaries and other short-term employee benefits	886,941	1,417,207
Post-employment benefits	50,416	48,250
	<b>£ 937,357</b>	<b>£ 1,465,457</b>

The highest-paid Director received emoluments of £184,484 (2019: £240,275) and pension contributions of £8,917 (2019: £9,400).

**Group**

***Trading with related parties***

Under the terms of a Managing General Agency Agreement ("MGAA") dated 28th June 2016, the group undertaking Azur Underwriting Limited was appointed by AIG Europe Ltd to act as its agent to administer its UK private client business, to effect renewals of that business, and to make arrangements for the provision and administration of certain new insurance business. Following a Part VII transfer as part of its Brexit preparedness, the business of AIG Europe Ltd was transferred to American International Group UK Ltd (which underwrites UK risks) and AIG Europe SA (which underwrites EEA risks) and AIG Europe Ltd ceased trading. AIG American International Group UK Ltd and AIG Europe SA are subsidiaries of a significant shareholder in the Parent Company.

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

Azur Underwriting Limited earned £5,864,688 (2019: £4,793,936) of commissions on related party transactions of which £923,609 (2019: £830,730) was outstanding at the year end. Azur Underwriting also earned a profit commission of £365,526 in 2019 which was settled on 19 March 2020. No profit commission was earned from related parties in 2020 on account of the underwriting loss recorded for the year.

The Group provided claims handling, insurance accounting & settlement and business introduction services to American International Group UK Ltd during the period for which it earned £45,000 (2019: £45,000), none of which amount was outstanding at the reporting date (2019: £nil).

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**33. Related parties (continued)**

**Group (continued)**

During the year the group undertaking Aztech Advantage Limited delivered a series of products and enhancements to the commercial underwriting and insurance policy administration platform utilised by Ascot US Services Company LLC, a subsidiary company of a significant shareholder in the Group. Total PaaS Development Fees of £1,542,725 (2019: £1,262,304) were earned during the year.

**Company**

***Loans to subsidiary undertakings***

Long-term cash financing is provided to subsidiary undertakings in the Group. The outstanding receivable balance was £16,150,705 as at 31 December 2020 (2019: £14,660,424).

**Aztech Advantage Limited**

During the year the Company provided £1.57 million (2019: £0.26 million) of funding under an aggregate £10 million unsecured term credit facility to the subsidiary company Aztech Advantage Limited. Amounts drawn down under the first £5 million of the facility are repayable on 30 April 2022, with amounts drawn down under the residual £5 million repayable on 29 February 2024. Interest on both facilities is payable at 3.5% and cash settled at annual intervals.

As at 31 December 2020, £6,650,210 (2019: £5,142,871) remained outstanding together with £176,077 (2019: £131,877) of accrued interest. Accrued interest of £179,497 (2019: £131,877), covering the period 1 April 2019 to 31 March 2020, was cash settled on 30 April 2020 in accordance with the loan terms.

**Azuru Services Limited**

During the year the subsidiary company Azuru Services Limited repaid the Company £0.82 million (2019: £2.48 million drawn down) of funding previously drawn down under an aggregate £15 million unsecured term credit facility. Amounts drawn down under the first £10 million of the facility are repayable on 30 April 2022 with amounts drawn down under the residual £5 million repayable on 28 February 2023. Interest is payable at 3.5% on the first £10 million drawn down and at 1-month LIBOR plus 10% on residual amounts drawn down and cash settled at annual intervals.

On 25 February 2020, the Company executed a £5 million 3-year term loan facility agreement with Azuru Services Limited. This facility superseded and replaced the undrawn facility agreement entered into between the Company and Azuru Services Limited dated 25 July 2019 and had identical terms except for the maturity date, which was extended from 24 July 2022 to 28 February 2023.

As at 31 December 2020, £8,591,900 (2019: £9,419,550) remained outstanding together with accrued interest of £287,774 (2019: £229,468). Accrued interest of £312,883 (2019: £286,453), covering the period 1 April 2019 to 31 March 2020, was cash settled on 30 April 2020.



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**33. Related parties (continued)**

**Company (continued)**

*Azur Insurance Holdings Limited*

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

As at 31 December 2020, £908,595 (2019: £98,003) had been drawn down against the facility with £2,759 of accrued interest payable.

**34. Events after the reporting period**

On 16 February 2021, 46,750 shares were allotted to the Azur Group Employee Benefit Trust following the agreement of the trustee, Ocorian Limited (formerly Estera Trust (Jersey) Limited), to subscribe for shares to subsequently be used to satisfy the future exercise of employee share options granted by the Company.

On 2 March 2021 options over 81,500 ordinary shares were granted under the Enterprise Management Incentive Plan 2019 to 25 employees and options over 15,000 shares were authorised to be granted to 2 employees on the establishment of a Republic of Ireland KEEP approved employee share option plan.

On 1 April 2021 accrued interest of £201,405 (£251,756 gross before deduction of withholding tax) was paid on the £2.5 million non-amortising 3-year term loan.

On 14 May 2021 an Amendment Agreement was executed with Mr RP Little and the £2.5 million non-amortising 3-year term loan was increased by £250,000, an amount subsequently drawn down on 17 May 2021. All other terms of the loan remain unchanged.