

Company Registration No. 11099339

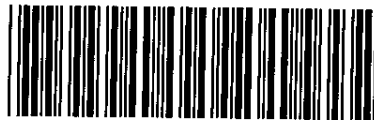
SPECIALIST RISK INVESTMENTS LIMITED

ANNUAL REPORT AND FINANCIAL

STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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SPECIALIST RISK INVESTMENTS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS 2021
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SPECIALIST RISK INVESTMENTS LIMITED

CEO STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The CEO presents his statement for the period.

In the year to December 2021, Specialist Risk Investments Limited (“SRIL”, “the Group”), which trades under the Specialist Risk Group (“SRG”) brand, achieved a continued period of both revenue and Adjusted EBITDAE growth, adjusting for non-recurring integration, reorganisation and acquisition costs. Though Adjusted EBITDAE is a non-statutory measure, we believe it reflects the underlying trading performance of the Group. SRG is a specialist insurance broking and MGA platform which specialises in creating solutions to challenging risk transfer questions, with an approach centred around careful segment analysis, product innovation and market making. We create value for our clients every time we develop, launch and execute this strategy. We are gathering people and businesses who share this common pursuit with us.

Acquisition by HGGC

In February 2021, SRG was acquired by HGGC, based in Palo Alto, California. We are delighted to partner with HGGC, a firm that is completely aligned with our values and culture as a people-driven company. We share a common ethos and expansive ambition, and I am tremendously excited for the next chapter of the SRG story.

HGGC brings substantial industry knowledge, deep M&A capabilities and strong operational and financial resources to support SRG’s ambitions.

The Group

To further our specialist strategy, SRG acquired five specialist businesses in 2021. These acquisitions are highly complementary to our existing propositions and provide further expertise in placing difficult risks with the Lloyd’s and London Market, alongside expanding our service and product offerings to our retail clients. We continue to develop our extensive professional advisory services and expertise for our SME and corporate client base, to build on the deep relationships we already enjoy with our insurance broking clients.

The Group’s vision is to be the leading¹ specialist insurance broking and MGA platform for complex and hard to place risks in the UK and beyond. We will achieve this by better serving the needs of clients and their brokers working in industries, geographies and areas that are challenging from a risk transfer perspective. Valuing the specialist nature of our capabilities, and creating a high performance, inspiring, hard-working, innovative, and rewarding environment to encourage and nurture our existing and acquired businesses, allowing SRG to continue to be a differentiator in our class.

The Group continues to invest in the upgrade of its technological capability and operational processes, with a focus on becoming a highly efficient and easy to deal with insurance distribution platform for broker partners and clients alike. In March 2021, SRG announced a strategic partnership with Novidea, a leading InsurTech firm, to lead the digital transformation of our specialist wholesale business in support of our continued rapid business growth.

KPIs £'000	31 December 2021	31 December 2020
Turnover	55,887	41,001
Operating loss	(7,036)	(1,677)
Add back: Exceptional and non-recurring costs ²	8,948	5,072
Operating profit before exceptional and non recurring costs	1,912	3,395
Loan Amortisation	1,064	-
Net Interest	338	1,745
Depreciation	1,055	633
Amortisation	10,788	8,834
Adjusted EBITDAE³	15,157	14,607

1 Leading by GWP written.

2 See note 6 for further information.

3 Earnings before interest, taxation, depreciation, amortisation, exceptional and non-recurring costs including, integration, reorganisation and acquisition costs.

SPECIALIST RISK INVESTMENTS LIMITED

CEO STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

Turnover in the period has increased significantly to £55.9m (2020: £41.0m), and Group operating profit before exceptional administrative costs decreased to £1.9m (2020: £3.4m).

Continued underlying organic growth, combined with the acquisitions during the year, resulted in an increase in Group turnover. SRG continues its programme of enhancing the operating margins of our underlying businesses, through embedding best practice operating processes and standards, underpinned by centralised support, oversight and governance.

The increase in Group operating loss is largely a consequence of the sale of the Group to HGGC in February 2021 which drove higher than usual Exceptional and non-recurring costs.

The Group's ultimate holding company and its subsidiaries entered into a loan facility with Ares management (see note 20) and during the year they provided intercompany loans to SRIL amounting to £72.1m to (a) repay debts and (b) fund the acquisitions of GB Underwriting Services Limited, The Channel Partnership, Blackrock Insurance Services Limited, Emrose Insurance Brokers Limited and CLS Risk Solutions Limited. These intercompany loans are included in Creditors (amounts falling due within one year). This has resulted in negative net current assets; however as these loans are due to group entities with common directors, and the directors have received confirmation from the companies that hold the intercompany loans, that they will not be called for repayment within 12 months, we do not anticipate these inter-company loans recalled and therefore we're satisfied with preparing the accounts on a going concern basis.

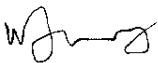
Our ambition for SRG is to continue to grow the Group both organically and inorganically, by adding specialist knowledge and capabilities to our existing resources and enabling us to better service our client's needs. We will do this through M&A, recruitment and training, allowing us to maintain and grow our status as a market leading independent insurance broker for specialist SME and corporate risks in the UK and Ireland.

Covid-19 and macroeconomic factors

The directors have considered the overall impact of the Covid-19 UK lockdown to be minimal. Despite recent reports indicating potential economic recession in the UK, the board remains confident of the prospects for the Group as the insurance sector traditionally remains resilient to recessionary pressures, combined with continuing strong demand and recurring revenues from the Group's range of specialist insurance products and services.

The Group continues to prosper by focusing on sectors of the market where it has real specialism, supported by innovative product development and industry leading standards of broker and client service including claims support, and our aim is for this to continue.

The Group faces the future with great optimism, accepting the current challenges we are confident that our mantra "Difficult. Done Well.", our strategy, resources and stewardship mean we are well positioned to meet these challenges head on and prosper.



Warren Downey

CEO

Date: 9th December 2022

SPECIALIST RISK INVESTMENTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Business review

The Group carries on business as an insurance intermediary providing insurance solutions directly to UK and International Clients, broker to broker solutions to brokers, and broker to overseas brokers through its principal operating subsidiaries. These solutions are sourced in Lloyd's of London, the wider London Market and composite insurers generally.

The board of directors is responsible for the overall stewardship of the Group.

The financial results for the period are set out in the statement of comprehensive income on page 17. The directors consider the achievement of turnover of £55.9m and an operating profit before adjusting for exceptional items of £1.9m for the year to be acceptable in view of the challenging UK insurance market, resultant low margins and investments made for future growth. Further information is contained within the CEO's statement on pages 3 - 4.

The result has been driven by our three main trading subsidiaries, Miles Smith Limited providing UK broker to broker solutions, The Underwriting Exchange Limited providing Irish broker to broker solutions and Specialist Risk Insurance Solutions Ltd providing UK broker solutions to retail customers.

The results of each can be summarised as follows:

£000's	Miles Smith Limited	The Underwriting Exchange*	Specialist Risk Insurance Solutions Limited
Turnover	18,989	12,531	10,878
Operating (loss)/profit	3,784	3,807	2,179
Administrative exceptional items	3,182	521	85
Operating profit before exceptional items	6,966	4,328	2,264

*Combined results of The Underwriting Exchange Limited and The Underwriting Exchange (Ireland) Limited

Research and development

The Group capitalised £nil in the year (2020: £19,783).

Principal risks and uncertainties

The principal risks and uncertainties faced by the group are common to other businesses in our industry and are described below:

Market – the Group's performance is affected by both the general economic climate and stability in our market place, principally the UK corporate market, and the insurance rating environment which has cyclical trends and affects our earnings based on premium spend.

Regulatory – certain subsidiaries are regulated by the Financial Conduct Authority in the UK. A breach of regulatory rules may lead to sanctions by the authorities. We are subject to new regulations which the regulator may introduce from time to time and which may impact on our infrastructure.

Competition – the worldwide insurance market remains a highly competitive one with various competitors in each of our specialist fields.

SPECIALIST RISK INVESTMENTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Principal risks and uncertainties (continued)

Interest rates – Our profitability is impacted by the interest rates as our funds available to put on deposit are greater than our borrowings. Our net interest return is reduced in times of low interest rates and greater during periods of high interest rates.

Foreign exchange risk - the Group has tried to minimise the effect of foreign currency exposure of its European business (EUR) by using forward contracts over the course of two years. The Group regularly assesses foreign currency exposure. Additionally, the company monitors price credit liquidity and subsequent cash flow risk to ensure that the effects of these are minimised.

Operational – failure of its operational systems or those of a third party, business interruption due to an external event, or loss of key staff may disrupt the Group's ability to service its client's needs appropriately, or may lead to information security issues.

Financial – the Group's principal financial risks are credit risk arising from trade debtors, and liquidity risk. The financial exposure continues to be spread over a large number of customers, and the Group utilises a third party to provide premium finance to its clients in order to minimise the credit risk. Group monies, including client monies are held in accounts at well-established UK clearing banks which have high credit ratings assigned by international credit rating agencies.

During the year the COVID 19 outbreak and subsequent measures taken by various governments had an impact on many businesses. The Group experienced a relatively minor impact on its ability to trade and engage with clients, with limited impact on profitability and cash flow, countered by extensive growth opportunities. Whilst some uncertainty remains, the impact of the pandemic has significantly reduced, and the board of directors remain confident around the wider Group's growth potential and future profitability and the prospects for this company.

Brexit - following the end of transition arrangements, the UK left the EU on 31 January 2020, and we are now monitoring the change in relationship between the UK and the EU, with a closer eye on the regulatory environment including the continuation of how insurance laws and regulations are handled. The Group planned for a 'hard' Brexit and as such the Group was prepared for Brexit. The Group utilises its entities based in Ireland to passport business from the UK into other EU states.

Our aim has been to put an adaptable solution in place which allows us to continue to offer our clients the same market-leading offering and high standard of service that they expect from us.

The directors seek to mitigate and manage each of these risks through continual review and policy setting and the employment of robust procedures.

Key performance indicators

The company uses a number of performance measures to assess its success in meeting its objectives that include:

- Client performance - the group's success depends on its ability to satisfy its clients. The Group believes that provision of innovative risk solutions with a high level of service are key to sustaining and growing the business. The measures used include:
 - turnover;
 - complaints monitoring;
 - customer satisfaction surveys; and
 - Profitability – the current period's results are reported in the Directors' Report on page 8 - 9.

SPECIALIST RISK INVESTMENTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Section 172

We specialise in creating solutions to challenging risk transfer questions and we have been doing this for many years. Our approach is careful segment analysis, product innovation and market making. We create value for our clients every time we develop, launch, and execute this strategy. The board therefore, makes careful considerations to the long-term consequences of its decisions and these are guided by the Group strategy which seeks to ensure this is executed with additional regard to our stakeholders and maintaining high standards of conduct. The strength of the Board and governance structure is enhanced by the presence of independent non-executive directors and shareholders.

Supplier payment policy and performance

It is the Company's policy to agree appropriate terms and conditions in advance with its suppliers and to make payment in accordance with those terms and conditions, provided that the supplier has complied with them.

Regulatory relationships

The Board maintains a good working relationship with the Company's regulators by engaging in a transparent manner, facilitated by the Company's compliance team which reports on a regular basis to the board and deals with any ad hoc matters.

Shareholder

HGGC, via its fund, is the ultimate shareholder and its engagement is essential for the long-term success of the Company. Our shareholder and fund holders are engaged through Group board meetings and quarterly updates on business performance. The discussions covered include performance of the Group and Company, acquisition strategy, group capital requirements, enterprise risk management and strategic direction of the Company.

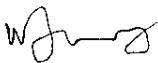
Employment policies

The Board recognises that the continuing success of the Company depends on its employees and is adopting policies designed to retain, attract, develop and train talented individuals and teams. The Company is an equal opportunities employer and bases decisions on an individual's ability regardless of race, religion, gender, age or disability. The Company's equal opportunities is designed to ensure that all applicants are given the same consideration when they apply for jobs and that all employees enjoy the same training and career development.

Clients

Client care is within the Board's main area of interest. Listening to our clients needs and acting in their best interest is our priority. We bring innovative and tailored solutions to our customers, and once established, we maintain long lasting relationships with them. The Company's engagement with clients' is routinely discussed in the board pack at the quarterly board meetings.

This report was approved by the board on and signed on its behalf by:



Warren Downey

CEO

Date: 9th December 2022

SPECIALIST RISK INVESTMENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the financial statements for the period ended 31 December 2021.

Review of the business, future developments, events after the balance sheet date and principal risks and uncertainties

The Group has chosen in accordance with Companies Act 2006, s.414C(11) to set out in the Group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch.7 to be contained in the directors' report. It has done so in respect of business activities, risks and future developments.

Results and dividends

The loss for the period, after taxation, amounted to €8.3m (2020: loss €4.4m)

No dividends were paid during the period (2020: €Nil). The directors do not recommend a final dividend for the year.

Directors

The directors who served during the period were:

Warren Downey

Lee Anderson

Jonathan Bines (appointed 27 May 2021)

Charles Love (resigned 4 March 2022)

Vicky Wai-Choo Kubitscheck (appointed 3 May 2021)

Clare Lebecq (appointed 27 May 2021)

Joanne Wright (appointed 27 May 2021)

Adrian Butler (resigned 11 May 2021)

Patrick Byrne (resigned 11 May 2021)

Ian Gascoigne (resigned 26 February 2021)

Steve Lee (resigned 11 May 2021)

Stephen O'Connor (resigned 11 May 2021)

Iain Robertson (resigned 11 May 2021)

James Scott (resigned 26 February 2021)

Joseph Hanly (appointed 2 February 2022)

William Nabarro (appointed 6 December 2021)

Post balance sheet events

The Group purchased:

- The Special Risk book of business from Bridge Insurance in January 2022; and
- 100% of the share capital of Hamilton Leigh Limited by Specialist Risk Group Limited, which completed on 6 September 2022.

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

Going Concern

As noted in the CEO statement the Group enjoys continuing strong demand and recurring revenues from its range of specialist insurance offerings. The directors have considered recent political and macroeconomic factors and are satisfied that the Group has the appropriate financial resources and will continue to generate positive operating cash flows and operate effectively for the foreseeable future. The Group Balance Sheet shows negative net current assets; however as noted in the CEO statement, intercompany balances of €72m are not expected to be repaid in the foreseeable future. All intercompany loans are due to group companies with common directors thus any repayment is closely controlled by management. As noted in the CEO Statement, the directors have received confirmation from the companies that hold the intercompany loans, that they will not be called for repayment within 12 months. Therefore, as noted in note 2 to these financial statements, the Directors are satisfied that these financial statements be prepared on a going concern basis.

SPECIALIST RISK INVESTMENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Directors' indemnities

The Group and Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report. Additional cover for the directors against personal financial exposure has been made under a directors' and officers' liability insurance policy.

Political Contributions

The Company made no political contributions during the year (2020: £nil).

Employees

Discrimination

Employees must not unlawfully discriminate against or harass other people including current and former employees, job applicants, clients, customers, suppliers and visitors. This applies in the workplace, outside the workplace (when dealing with customers, suppliers or other work-related contacts), and on work-related trips or events including social events.

The following forms of discrimination are prohibited under this policy and are unlawful:

- **Direct discrimination:** treating someone less favourably because of a Protected Characteristic. For example, rejecting a job applicant because of their religious views or because they might be gay.
- **Indirect discrimination:** a provision, criterion or practice that applies to everyone but adversely affects people with a particular Protected Characteristic more than others, and is not justified. For example, requiring a job to be done full-time rather than part-time would adversely affect women because they generally have greater childcare commitments than men. Such a requirement would be discriminatory unless it can be justified.
- **Harassment:** this includes sexual harassment and other unwanted conduct related to a Protected Characteristic, which has the purpose or effect of violating someone's dignity or creating an intimidating, hostile, degrading, humiliating or offensive environment for them. Harassment is dealt with further in our Anti-harassment and Bullying Policy.
- **Victimisation:** retaliation against someone who has complained or has supported someone else's complaint about discrimination or harassment.
- **Disability discrimination:** this includes direct and indirect discrimination, any unjustified less favourable treatment because of the effects of a disability, and failure to make reasonable adjustments to alleviate disadvantages caused by a disability.

Recruitment and Selection

Recruitment, promotion and other selection exercises such as redundancy selection are conducted on the basis of merit, against objective criteria that avoid discrimination. Shortlisting is done by more than one person if possible.

Vacancies are advertised to a diverse section of the labour market. Advertisements avoid stereotyping or using wording that may discourage particular groups from applying.

Job applicants are not asked questions which might suggest an intention to discriminate on grounds of a Protected Characteristic. For example, applicants are not asked whether they are pregnant or planning to have children.

SPECIALIST RISK INVESTMENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Employees (continued)

Recruitment and Selection (continued)

Job applicants are not asked about health or disability before a job offer is made, except in the very limited circumstances allowed by law: for example, to check that the applicant could perform an intrinsic part of the job (taking account of any reasonable adjustments), or to see if any adjustments might be needed at interview because of a disability. Where necessary, job offers can be made conditional on a satisfactory medical check. Health or disability questions may be included in equal opportunities monitoring forms, and are not used for selection or decision-making purposes.

Disabilities

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group and the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Part Time and Fixed Term Work

Part time and fixed-term employees are treated the same as comparable full-time or permanent employees and enjoy no less favourable terms and conditions (on a pro-rata basis where appropriate), unless different treatment is justified.

Breaches of this Policy

The Group takes a strict approach to breaches of this policy, which will be dealt with in accordance with our Disciplinary Procedure. Serious cases of deliberate discrimination may amount to gross misconduct resulting in dismissal.

If any employee believes that they have suffered discrimination, then they can raise the matter through our Grievance Procedure or Anti-harassment and Bullying Policy. Complaints are treated in confidence and investigated as appropriate.

Employees must not be victimised or retaliated against for complaining about discrimination. However, making a false allegation deliberately and in bad faith will be treated as misconduct and dealt with under our Disciplinary Procedure.

Employee participation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. The Group launched a group-wide intranet during the financial year which informs employees about all material developments within the Group.

Employees are consulted regularly on a wide range of matters affecting their current and future interests. If required we arrange the election of employee representatives who we then consult with as appropriate.

In addition, some employees receive an annual bonus which is dependent on business and personal performance.

SPECIALIST RISK INVESTMENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Disclosure of information to auditor

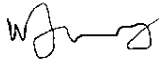
The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on and signed on its behalf by:



Warren Downey

Director

Date: 9th December 2022

SPECIALIST RISK INVESTMENTS LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors are responsible for preparing the Annual 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Group and the Company for that year. 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPECIALIST RISK INVESTMENTS LIMITED

Opinion

We have audited the financial statements of Specialist Risk Investments Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021, which comprise Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

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 and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPECIALIST RISK INVESTMENTS LIMITED

Other information

The directors are responsible for the other information. The other information comprises the information included in the report and accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPECIALIST RISK INVESTMENTS LIMITED

Auditor's responsibilities for the audit of the financial statements (continued)

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

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

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company and the industry in which it operates. We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors and management. We determined that the most significant laws and regulations were United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006 and relevant tax legislation;
- We enquired of the directors and management to obtain an understanding of how the Company is complying with those legal and regulatory frameworks and whether there were any instances of non-compliance with laws and regulations and whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through our review of the minutes of the Company's board meetings;
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included an evaluation of the risk of management override of controls. Audit procedures performed by the engagement team in connection with the risks identified included:
 - evaluation of the design and implementation of controls that management has put in place to prevent and detect fraud;
 - testing journal entries, including manual journal entries processed at the year-end for financial statements preparation and journals with unusual account combinations; and
 - challenging the assumptions and judgements made by management in its significant accounting estimates.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
 - knowledge of the industry in which the group and company operates.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPECIALIST RISK INVESTMENTS LIMITED

Auditor's responsibilities for the audit of the financial statements (continued)

- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the entity's operations, including the nature of its revenue sources, broking products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement and
 - the entity's control environment, including the policies and procedures, including the adequacy of the training to inform staff of the relevant legislation and the adequacy of procedures for authorisation of transactions.

- We have requested component auditors to report any instances of non-compliance with laws and regulations that could give rise to a material misstatement of the group financial statements.

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.

Grant Thornton UK LLP

William Pointon
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
Date: 9th December 2022

SPECIALIST RISK INVESTMENTS LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

		2021	2020
	Notes	£	£
Turnover	4	55,886,842	41,000,979
Other operating income	5	(36,418)	17,236
Administrative expenses		(53,937,815)	(37,622,967)
Exceptional administrative expenses	6	(8,948,440)	(5,071,820)
Total administrative expenses		(62,886,255)	(42,694,787)
Operating loss	7	(7,035,831)	(1,676,572)
Interest receivable and similar income	11	4,629	16,480
Interest payable and expenses	12	(343,004)	(1,761,524)
Loss before taxation		(7,374,206)	(3,421,616)
Tax on loss	13	(956,421)	(992,830)
Loss for the financial period		(8,330,627)	(4,414,446)
Loss for the year attributable to:			
Owners of the parent company		(8,330,627)	(4,414,446)

The Group has no comprehensive income other than the amounts recognised in the Profit and loss account above. Accordingly no Statement of Comprehensive Income has been presented. All amounts arise from continuing operations.

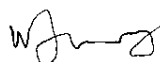
Notes 1 - 37 form part of these financial statements.

SPECIALIST RISK INVESTMENTS LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021**

		31 December 2021	31 December 2020
	Notes	£	£
Fixed assets			
Intangible assets	14	104,397,650	70,645,558
Tangible assets	15	1,276,256	1,688,320
Investments	16	121,227	121,226
		<u>105,795,133</u>	<u>72,455,104</u>
Current assets			
Debtors due within one year	17	96,947,531	73,552,098
Cash at bank and in hand	18	75,468,406	59,888,446
		<u>172,415,937</u>	<u>133,440,544</u>
Current liabilities			
Creditors: amounts falling due within one year	19	(229,861,561)	(117,344,431)
Net current (liabilities)/assets		<u>(57,445,624)</u>	<u>16,096,113</u>
Total assets less current liabilities		48,349,509	88,551,217
Non-current liabilities			
Creditors: amounts due after one year	20	(13,499,939)	(45,429,133)
Other provisions	21	(374,212)	(385,600)
Deferred taxation	22	-	(323,889)
		<u>34,475,358</u>	<u>42,412,595</u>
Net assets		<u>34,475,358</u>	<u>42,412,595</u>
Capital and reserves			
Called-up share capital	24	6,688	6,688
Share premium account		22,603,513	22,603,513
Other reserves	27	31,909,860	31,516,470
Profit and loss account		(20,044,703)	(11,714,076)
		<u>34,475,358</u>	<u>42,412,595</u>
Equity attributable to owners of the Parent Company		<u>34,475,358</u>	<u>42,412,595</u>

The financial statements were approved by the Board of Directors and authorised for issue on 9th December 2022.

They were signed on its behalf by:



Warren Downey
Director

Notes 1 - 37 form part of these financial statements.

SPECIALIST RISK INVESTMENTS LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021


Company Registration No. 11099339		2021	2020
	Notes	£	£
Fixed assets			
Investments	16	45,108,759	45,009,481
		45,108,759	45,009,481
Current assets			
Debtors due within one year	17	19,561,542	18,475,320
Cash at bank and in hand	18	100,124	44,858
		19,661,666	18,520,178
Creditors: amounts falling due within one year	19	(11,831,725)	(9,800,297)
Net current assets		7,829,941	8,719,881
Total assets less current liabilities		52,938,700	53,729,362
Net assets		52,938,700	53,729,362
Capital and reserves			
Called-up share capital	24	6,688	6,688
Share premium account		22,603,513	22,603,513
Other reserves	27	31,582,479	31,582,479
Profit and loss account		(1,253,980)	(463,318)
		52,938,700	53,729,362

The parent entity, Specialist Risk Investments Limited, has taken exemption from presenting the company statement of comprehensive income under section 408 of the Companies Act 2006.

The Company made a loss of £(790,662) for the year ended 31 December 2021 (2020: £(30)). The Company had no other comprehensive income.

The financial statements of Specialist Risk Investments Limited, registered number 11099339, were approved by the Board of Directors and authorised for issue on 9th December 2022.

They were signed on its behalf by:



Warren Downey

Director

Notes 1 - 37 form part of these financial statements.

SPECIALIST RISK INVESTMENTS LIMITED**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

		Called-up share capital	Share premium account	Other reserves	Profit and loss account	Total
	Notes	£	£	£	£	£
As at 31 August 2019		6,684	22,573,756	31,556,477	(7,299,630)	46,837,287
Loss and total comprehensive income for the year		-	-	-	(4,414,446)	(4,414,446)
Issue of shares during the period	24	4	29,757	-	-	29,761
Movement in the period		-	-	(40,007)	-	(40,007)
As at 31 December 2020		6,688	22,603,513	31,516,470	(11,714,076)	42,412,595
Loss and total comprehensive income for the year		-	-	-	(8,330,627)	(8,330,627)
Issue of shares during the period	24	-	-	-	-	-
Movement in the period	27	-	-	393,390	-	393,390
As at 31 December 2021		6,688	22,603,513	31,909,860	(20,044,703)	34,475,358

Notes 1 - 37 form part of these financial statements.

SPECIALIST RISK INVESTMENTS LIMITED**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

		Called-up share capital	Share premium account	Other reserves	Profit and loss account	Total
	Notes	£	£	£	£	£
As at 31 August 2019		6,684	22,573,756	31,582,479	(463,288)	53,699,631
Loss and total comprehensive income for the year		-	-	-	(30)	(30)
Issue of shares during the period	24	4	29,757	-	-	29,761
Movement in the period		-	-	-	-	-
As at 31 December 2020		6,688	22,603,513	31,582,479	(463,318)	53,729,362
Loss and total comprehensive income for the year		-	-	-	(790,662)	(790,662)
Issue of shares during the period	24	-	-	-	-	-
Movement in the period		-	-	-	-	-
As at 31 December 2021		6,688	22,603,513	31,582,479	(1,253,980)	52,938,700

Notes 1 - 37 form part of these financial statements.

SPECIALIST RISK INVESTMENTS LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Cash flows from operating activities			
Profit for the financial period		(8,330,627)	(4,414,446)
Adjustments for:			
Loan Amortisation	20	1,063,662	-
Investment in associate impairment		-	269,650
Amortisation, impairment and write-off of intangible assets	14	10,787,525	9,108,725
Depreciation of tangible assets	15	1,055,196	633,281
Interest paid	12	(4,629)	1,761,524
Interest received	11	343,004	(16,480)
Taxation charge	13	956,421	992,830
(Increase)/decrease in debtors		(12,809,718)	7,056,581
Increase in creditors		97,837,405	(3,399,148)
Increase/(decrease) in provisions		(11,388)	(48,730)
Non cash movement in reserves		357,265	-
Corporation tax paid		(757,089)	(541,074)
Net cash generated from operating activities		90,487,027	11,402,713
Cash flows from investing activities			
Purchase of intangible fixed assets	14	(128,788)	(89,983)
Purchase of tangible fixed assets	15	(530,391)	(849,329)
Interest received	11	4,629	16,480
Net cash outflow on acquisition	16	(28,134,426)	(8,092,339)
Deferred considerations paid		(1,102,537)	(2,000,000)
Investment in associates		-	(340,309)
Net cash from investing activities		(29,891,513)	(11,355,480)
Cash flows from financing activities			
Proceeds from issue of shares	24	-	-
Loans received (net of fees)	20	-	14,825,000
Repayment of loans	20	(44,708,675)	-
Interest paid	12	(343,004)	(1,458,517)
Decrease in reserves	27	36,125	-
Net cash used in financing activities		(45,015,554)	13,366,483
Net increase in cash and cash equivalents		15,579,960	13,413,716
Cash and cash equivalents at the beginning of period	18	59,888,446	46,474,730
Cash and cash equivalents at the end of period		75,468,406	59,888,446
Cash and cash equivalents at the end of period comprise:			
Cash at bank and in hand	18	75,468,406	59,888,446

Notes 1 - 37 form part of these financial statements.

SPECIALIST RISK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. General information

Specialist Risk Investments Limited is a private company limited by shares and incorporated in the United Kingdom. Its registered office is 6th floor One America Square, 17 Crosswall, London, EC3N 2LB.

The principal activity of the group is Insurance Broking.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 2).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

The financial statements have been prepared on a going concern basis. The Group's current financial position, and its forecasts and projections, taking into account reasonable assumptions regarding performance, demonstrate the Group's ongoing ability to operate.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The Directors have taken into consideration the impact of Covid-19, and the wider economic environment, including the implications of inflation and increasing interest rates, and have considered various scenarios to assess the Group's ability to continue to generate revenue and cash flows for a period of at least 12 months from date of signing these financial statements. The Group's negative net current assets position is primarily driven by intercompany funding of £72m which is not expected to be repaid in the foreseeable future. All intercompany loans are due to group companies with common directors thus any repayment is closely controlled by management and the directors have received confirmation from the companies that hold the intercompany loans, that they will not be called for repayment within 12 months. The directors have also considered financing for the wider group, and closely monitors its cash flows, liquidity and covenant headroom.

The Group's ultimate holding company and its subsidiaries entered into a loan facility with Ares management comprising £275m of committed funds and interest is payable on committed and drawn funds at a variable rate of up to 11% plus LIBOR. As at 31 December 2021, a total of £181,000,000 (excl. fees) was borrowed, which is subject to a Senior Secured Net Leverage covenant;

SPECIALIST RISK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.3 Going concern (continued)

- Set at 9.25x for 2 years after closing and thereafter stepping down annually by 0.25x
- Up to 5x equity cures (no requirement to prepay)

Detailed forecasts are prepared, and stressed, to ensure that the covenants on this debt are being, and will continue to be, met.

We are pleased that our business has seen minimal impact due to Covid-19 due to the specialist nature of our business, and demand for our services remains resilient even during difficult economic times. Additionally, the Group has access to financing which provides the necessary working capital, thus reaffirming our going concern status.

2.4 Foreign currency translation Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within 'other operating income'.

2.5 Turnover

Turnover represents brokerage, profit commission and fees net of any commission payable to third parties. It arises on the placement of insurance contracts by the Company.

Brokerage is recognised when the company's contractual right to such income is established and to the extent that the Company's relevant obligations under the contracts concerned have been performed. For most of the Company'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 constitutes obligations of the company under those contracts.

Where the amount of brokerage is dependent on the achievement of contractual targets, the minimum amounts under the contract are recognised on inception, and the incremental amounts arising are recognised when their targets concerned are achieved.

Where the amount of brokerage is dependent on the results of the business placed, the minimum amounts under the contract are recognised at inception, and any incremental amounts are recognised only to the extent that a reliable estimate of the amounts concerned can be made. Such estimates are made on a prudent basis that reflects the level of uncertainty involved.

SPECIALIST RISK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.5 Turnover (continued)

Profit commission arising from the placement of insurance contracts or the exercise of an underwriting agency by the Company is recognised when the right to such profit commission is established through a contract, but only to the extent that a reliable estimate of the amount due can be made. Such estimates are made on a prudent basis that reflects the level of uncertainty involved.

Commissions received in advance of revenue recognition criteria having been met in accordance with the policies described above, is credited to the deferred income account within accruals and deferred income in the Company's balance sheet.

Commissions that are recognised in accordance with this policy before it has been invoiced is included in other debtors in the Company's balance sheet.

In the case of proportional treaty insurance business and binding authorities, brokerage is recognised when the accounts are received. Fees are credited to the profit and loss account when invoiced to the client.

2.6 Insurance broking assets and liabilities

Insurance brokers act as agents in placing the insurance risk of their clients with insurers and are not liable as principles for amounts arising from such transactions. Notwithstanding these legal relationships, debtors, creditors and cash balances arising from insurance broking transactions are shown as assets and liabilities within these accounts. This recognises that the insurance broker is entitled to retain the investment income arising from the cash flows attributable to these transactions. Money received in respect of these transactions is held in non-statutory trust bank accounts or insurer trust bank accounts in accordance with the requirements of the Financial Conduct Authority.

2.7 Other operating income

Other operating income is recognised at the time of the provision of the service.

2.8 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

2.9 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

SPECIALIST RISK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.11 Share-based payments

The Group operated a share option scheme which closed in February 2021 following the acquisition of the Group by HGGC.

2.12 Employee benefit trust

A group company operates an Employee Benefit Trust (EBT) for the benefit of its employees. Ordinary C & D shares of the ultimate parent of the company are granted to employees at the discretion of this company which is deemed to be the sponsoring entity.

The assets and liabilities of the EBT have been included in the group accounts in the accordance with FRS 102 Sections 9.34-9.37: 'Accounting for intermediate parent arrangements' on the basis that the EBT is under the de facto control of a group company. Any assets held by the EBT cease to be recognised on the group balance sheets when the assets vest unconditionally in identified beneficiaries.

In the consolidated accounts, costs incurred by the EBT purchasing shares are shown as a deduction against shareholders' funds. The proceeds to the EBT from the sale of shares increase shareholders' funds. Neither the purchase nor sale of shares leads to a gain or loss recognised in the Consolidated Statement of Comprehensive Income.

2.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.14 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

SPECIALIST RISK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.15 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Goodwill - 5 - 10 years
Intangibles - 5 - 10 years

Research & Development

The Company has a policy to capitalise internally generated intangible assets. Research costs are expensed as incurred, and development expenditure are capitalised provided they meet the strict criteria of development per FRS 102.

These assets are considered to have a finite useful life. Once the asset is deemed to have completed, the estimated useful life with range from 3-5 years.

2.16 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements - period of lease Fixtures and fittings - 3-5 years
Office equipment - 3-5 years
Computer equipment - 3-5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

SPECIALIST RISK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.17 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in associates are measured using the equity method of accounting.

Investments in unlisted Group shares, whose market value can be reliably determined, are stated at historic cost less any provision for impairment.

Investments held as fixed assets, are measured at cost less any provision for impairment.

2.18 Debtors

Short term debtors which are receivable within one year are initially measured at the transaction price expected to be received and are assessed for indicators of impairment at the end of each reporting year.

2.19 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.20 Creditors

Short term creditors which are payable within one year are initially measured at the transaction price expected to be paid and are assessed for indicators of impairment at the end of each reporting year. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method.

2.21 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.22 Financial instruments

The group holds basic financial instruments, which comprise bank balances, trade and other debtors and creditors, loans from banks, loans to related parties and investments in non-puttable ordinary shares. The group has applied the measurement and recognition provisions of Section 11 Basic Financial Instruments of FRS 102.

2.23 Forward contracts

The group has forward contracts in relation to its Euro income in order to mitigate exchange rate risk. These contracts are measured at fair value through the profit and loss account which is determined using the average exchange rate of the forward contracts vs. the closing rate for the Balance Sheet.

SPECIALIST RISK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

3 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the Directors are required to make judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis and revisions to estimates are recognised prospectively.

The Company defers revenue to reflect its obligation to provide claims handling services on policies placed prior to the period end date. The amount of revenue deferred is based on claims projections, which include judgements on the future profile of claims that will arise on income recognised in the period and utilising historic claims experience to set the underlying trend. Future costs of the Company to handle claims is based on existing directly attributable expenses plus an apportionment of overheads and management time.

Significant estimates and judgements have been used in respect of any claims against the group, and in particular the assessment of the merits of any claim, the likelihood of any claim succeeding, and its potential quantum. Where the outcome of any claim is potentially material, judgements are made after taking appropriate legal advice.

Judgements have been made around R&D capitalisation where assets have been judged to have met recognition criteria for development assets based on our assessment of FRS 102 and IFRS guidance.

Judgements and estimates have been made by management on the valuation of the forward contracts within a subsidiary within the Group. The estimate is based on the contract terms and the prevailing exchange rates at the end of the year. Management deemed it appropriate to measure the fair value of the contract in the balance sheet with changes reported in the Statement of comprehensive income.

In relation to certain acquisitions, the amount of goodwill recognised is based on the total purchase consideration payable could include deferred consideration and 'earn out' payments linked to future performance of those businesses. Judgements have been made based on the most recent trading results and an assessment on the likely impact these will have on the calculation of 'earn out' and deferred consideration amounts.

Judgements have been made around the goodwill amortisation periods to be applied to acquisitions, and impairment reviews of goodwill on each cash generating unit. Factors which have been considered include the future profitability of each unit, retention and lapse rates, and impacts of inflation. We have also reviewed cashflows and considered the current fair value less costs to sell. Judgements and estimates have been made in determining future revenue and cash flow forecasts for the purposes of going concern assessment; the factors considered are set out in more detail in note 2.3.

4 Turnover

An analysis of the Group's turnover by geographical market is set out below.

	2021	2020
	£	£
United Kingdom	39,812,066	30,588,398
Europe	11,209,354	9,269,865
Rest of the World	4,865,422	1,142,716
	<u>55,886,842</u>	<u>41,000,979</u>

SPECIALIST RISK INVESTMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021****5 Other operating income**

	2021	2020
	£	£
Other operating income	(36,418)	17,236

Other operating income includes miscellaneous income receivable from across Group subsidiaries.

6 Exceptional items

	2021	2020
	£	£
Restructuring - IT rationalisation	3,338,483	2,059,368
Resturcturing - workforce reduction	1,697,500	1,368,812
Cost incurred for acquisition by HGGC	2,589,456	-
Other exceptional items	1,323,001	1,643,640
	<u>8,948,440</u>	<u>5,071,820</u>

Exceptional items are those that the Board consider to be which fall outside the ordinary activities and which are not expected to recur. An ongoing priority of the Group is continue its M&A, and through integration of these businesses, the Group is subjected to one-off, non-recurring expenses which have been deemed exceptional and reported separately. Other exceptional items includes M&A, integration and fees paid to consultants providing support to the integration process.

7 Operating loss

Operating loss for the year is stated after charging:	2021	2020
	£	£
Depreciation of tangible fixed assets	1,055,196	633,280
Lease expense	897,871	736,122
Amortisation of intangible fixed assets, including goodwill	10,787,525	8,834,157
Foreign exchange (gains)/losses	<u>(108,180)</u>	<u>59,057</u>

SPECIALIST RISK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

8 Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	2021	2020
	£	£
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	44,625	37,500
Fees payable for the audit of the company's subsidiaries	138,630	145,000
Total audit fees	183,255	182,500
Audit-related assurance services	99,500	66,000
Taxation advisory services	62,230	43,000
Corporate finance services	120,372	-
Total fees	465,357	291,500

9 Employees

Their aggregate remuneration comprised:

	Group	Group
	2021	2020
	£	£
Wages and salaries	29,687,936	17,715,106
Social security costs	3,175,419	1,877,966
Other pension costs	1,815,906	1,155,039
	34,679,261	20,748,111

The average monthly number of employees (including executive directors) was:

	2021	2020
	No.	No.
Sales, management and administration	430	307

SPECIALIST RISK INVESTMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021****10 Directors' remuneration and transactions**

	2021	2020
	£	£
Group directors' remuneration		
Emoluments	1,963,607	1,926,717
Company contributions to money purchase pension schemes	52,235	61,363
	<u>2,015,842</u>	<u>1,988,080</u>

During the year retirement benefits were accruing to 8 directors in respect of defined contribution pension schemes (2020: 8).

The highest paid director received remuneration of £400,200 (2020: £335,745).

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £1,319 (2020: £32,953).

11 Interest receivable

	2021	2020
	£	£
Interest receivable	<u>4,629</u>	<u>16,480</u>

12 Interest payable and similar expenses

	2021	2020
	£	£
Loan interest payable	6,274	1,758,202
Bank Interest payable	336,730	3,322
	<u>343,004</u>	<u>1,761,524</u>

SPECIALIST RISK INVESTMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021****13 Taxation**

The tax credit comprises:

	2021	2020
	£	£
Corporation tax		
UK corporation tax	798,089	971,274
Foreign Tax	353,239	-
Adjustments in respect of prior periods	71,069	(35,914)
Total current tax	<u>1,222,397</u>	<u>935,360</u>
Deferred tax		
Origination and reversal of timing differences	(144,723)	44,473
Adjustments in respect of prior year	(121,253)	12,997
Total deferred tax	<u>(265,976)</u>	<u>57,470</u>
Total tax (charge)/credit	<u>956,421</u>	<u>992,830</u>

SPECIALIST RISK INVESTMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021****13 Taxation (continued)****Factors affecting tax charge for the period**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 19%. The differences are explained below:

	2021	2020
	£	£
Group loss on ordinary activities before tax	<u>(7,374,206)</u>	<u>(3,421,616)</u>
Tax on Group loss on ordinary activities at standard UK corporation tax rate of 19% (2020: 19%)	(1,401,099)	(650,107)
Effects of:		
Expenses not deductible for tax purposes	2,630,569	1,236,593
Group Relief of current year losses/ (claim for group relief)	(314,378)	-
Adjustments to tax charge in respect of previous year	(48,231)	(22,917)
Amounts relating to change in tax rates	(369,864)	382
Movements in unrecognised deferred tax	363,291	511,672
Differences in tax rates	92,236	(82,793)
Other	3,897	-
Total tax charge	<u>956,421</u>	<u>992,830</u>

A deferred tax asset totalling £1,567,734 (2020: £566,433) has not been recognised in respect of timing differences relating to tax losses, fixed assets, and trading and non-trading timing differences as it is not probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

SPECIALIST RISK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

14 Intangible assets

	Intangibles	Goodwill	Website	Internally generated computer software	Internally generated computer software under construction	Total
	£	£	£	£	£	£
Cost						
At 31 December 2020	4,003,179	86,416,985	70,200	453,170	462,643	91,406,177
Additions	130,251	44,410,829	-	-	(1,463)	44,539,617
Acquisitions of subsidiaries	-	88,382	-	-	-	88,382
Reclassification	-	-	-	-	-	-
At 31 December 2021	4,133,430	130,916,196	70,200	453,170	461,180	136,034,176
Amortisation						
At 31 December 2020	3,780,397	16,529,403	9,640	441,179	-	20,760,619
Charge for the year	262,963	10,382,273	14,040	11,991	116,258	10,787,525
Reclassification	-	-	-	-	-	-
Accumulated amortisation acquired on subsidiary acquisitions	-	88,382	-	-	-	88,382
At 31 December 2021	4,043,360	27,000,058	23,680	453,170	116,258	31,636,526
Net book value						
At 31 December 2020	222,782	69,887,582	60,560	11,991	462,643	70,645,558
At 31 December 2021	90,070	103,916,138	46,520	-	344,922	104,397,650

SPECIALIST RISK INVESTMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021****15 Tangible fixed assets**

	Fixtures and fittings	Freehold property	Leasehold improvements	Office and Computer Equipment	Total
	£	£	£	£	£
Cost					
At 31 December 2020	580,510	-	1,020,163	1,674,808	3,275,481
Additions	119,632	-	44,437	561,403	725,472
Acquisitions of subsidiaries	122,735	9,505	108,693	311,742	552,675
Write off	(174,398)	-	-	(20,683)	(195,081)
Reclassification	-	-	-	-	-
At 31 December 2021	648,479	9,505	1,173,293	2,527,270	4,358,547
Depreciation					
At 31 December 2020	476,187	-	867,947	243,027	1,587,161
Accumulated depreciation acquired on subsidiary acquisitions	119,610	4,653	34,726	280,945	439,934
Charge for the year	24,776	693	100,171	1,014,367	1,140,007
Write off	(84,811)	-	-	-	(84,811)
Reclassification	-	-	-	-	-
At 31 December 2021	535,762	5,346	1,002,844	1,538,339	3,082,291
Net book value					
At 31 December 2020	104,323	-	152,216	1,431,781	1,688,320
At 31 December 2021	112,717	4,159	170,449	988,931	1,276,256

SPECIALIST RISK INVESTMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021****16 Fixed asset investment**

Group	Investment in subsidiaries £	Investment in associates £	Non-trade investments £	Total £
At 31 December 2020	-	70,660	50,566	121,226
Additions	-	-	-	-
At 31 December 2021	-	70,660	50,566	121,226
Company	Investment in subsidiaries £	Investment in associates £	Non-trade investments £	Total £
At 31 December 2020	44,669,172	340,309	-	45,009,481
Additions	99,278	-	-	99,278
At 31 December 2021	44,768,450	340,309	-	45,108,759

During 2020, the Company purchased 29.5% of the share capital in Onyx Insurance Broking Limited. There has been no change in value in Onyx in 2021.

Investment in associate	£
Balance at 1 January 2021	70,660
Addition	-
Share of profit or loss from associate	-
Balance at 31 December 2021	70,660

SPECIALIST RISK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

16 Fixed asset investment (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name		Principal activity	Share class	Holding
Specialist Risk Investments (Midco) Limited	1 America Square, London, EC3N 2LB	Holding company	Ordinary	100%
Specialist Risk Group Limited*	1 America Square, London, EC3N 2LB	Holding company	Ordinary	100%
Miles Smith Holdings Limited*	1 America Square, London, EC3N 2LB	Holding company	Ordinary	100%
Miles Smith Limited*	1 America Square, London, EC3N 2LB	Lloyd's Insurance broker	Ordinary	100%
Miles Smith Insurance Solutions Limited*	1 America Square, London, EC3N 2LB	Insurance broker	Ordinary	100%
Miles Smith Broking Limited*	1 America Square, London, EC3N 2LB	Lloyd's Insurance broker	Ordinary	100%
Miles Smith PPP Limited*	1 America Square, London, EC3N 2LB	Premium finance	Ordinary	100%
Core Underwriting Limited*	1 America Square, London, EC3N 2LB	Underwriting agent	Ordinary	100%
Miles Smith International Limited*	1 America Square, London, EC3N 2LB	Insurance broker	Ordinary	100%
Phillip Adams Limited*	1 America Square, London, EC3N 2LB	Insurance broker	Ordinary	100%
First4 Insurance Services Limited*	1 America Square, London, EC3N 2LB	Dormant	Ordinary	100%
Miles Smith Investments Limited*	1 America Square, London, EC3N 2LB	Dormant	Ordinary	100%
Pedal Safe Limited*	1 America Square, London, EC3N 2LB	Insurance broker	Ordinary	51%
The Underwriting Exchange Limited*	1-4 Great Tower Street, London, EC3R 5AA	Insurance broker	Ordinary	100%
London Ireland Market Exchange Limited*	1-4 Great Tower Street, London, EC3R 5AA	Insurance broker	Ordinary	100%
The Underwriting Exchange (Ireland) Limited*	16 Fitzwilliam Place, Dublin 2, Ireland	Insurance broker	Ordinary	100%

SPECIALIST RISK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

16 Fixed asset investment (continued)

Subsidiary undertakings (continued)

The following were subsidiary undertakings of the Company:

Name		Principal activity	Share class	Holding
London Ireland Market Exchange Limited*	1-4 Great Tower Street, London, EC3R 5AA	Dormant	Ordinary	100%
Specialist Risk Insurance Solutions Limited*	1 America Square, London, EC3N 2LB	Insurance broker	Ordinary	100%
David Codling & Associates Limited*	3 Oak Court, Bethel Road, Sevenoaks, Kent, TN13 3UE	Insurance broker	Ordinary	100%
Freeworth Limited*	1 America Square, London, EC3N 2LB	Trustee of Employee Share Trust	Ordinary	100%
AUA Insolvency Risk Services Limited*	1 America Square, London, EC3N 2LB	Insurance broker	Ordinary	100%
KBIS Holdings Limited*	1 America Square, London, EC3N 2LB	Holding company	Ordinary	100%
KBIS Limited*	1 America Square, London, EC3N 2LB	Insurance broker	Ordinary	100%
The Channel Partnership (Holdings) Limited	1 America Square, London, EC3N 2LB	Holding company	Ordinary	100%
Lupton Del Principe Associates Limited	1 America Square, London, EC3N 2LB	Insurance broker	Ordinary	100%
GBUL Services Limited	1 America Square, London, EC3N 2LB	Holding company	Ordinary	100%
GB Underwriting Limited	1 America Square, London, EC3N 2LB	Insurance broker	Ordinary	100%
Emrose (Insurance Brokers) Limited	1 America Square, London, EC3N 2LB	Insurance broker	Ordinary	100%
Specialist Risk International Limited	1 America Square, London, EC3N 2LB	Insurance broker	Ordinary	100%
MX Underwriting Limited	1 America Square, London, EC3N 2LB	Underwriting agent	Ordinary	100%
MX Underwriting Malta Limited	St Anna Street, Floriana, FRN 9010, Malta	Underwriting agent	Ordinary	100%
Blackrock Insurance Solutions Limited	14/15 St. Andrew Street, Dublin 2.	Insurance broker	Ordinary	100%

All of the above subsidiaries are included in the consolidation.

*Investments are held indirectly.

SPECIALIST RISK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

16 Fixed asset investment (continued)

Subsidiary undertakings (continued)

The aggregate of the share capital and reserves as at 31 December 2021 and the profit or loss for the period ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of Share capital and reserves £	Profit/(Loss) £
Specialist Risk Midco Limited	44,669,171	-
Specialist Risk Group Limited	37,932,314	(4,545,106)
Miles Smith Holdings Limited	(553,906)	(223,218)
Miles Smith Limited	11,857,565	4,043,425
Miles Smith Insurance Solutions Limited	1,729,705	74,033
Miles Smith Broking Limited	567,466	(111,857)
Miles Smith PPP Limited	109,827	67
Core Underwriting Limited	(283,924)	(12,150)
Miles Smith International Limited	(207,849)	145,085
Phillip Adams Limited	51,305	(828)
First4 Insurance Services Limited	(399,290)	-
Miles Smith Investments Limited	49	-
Pedal Safe Limited	200	-
The Underwriting Exchange Limited	10,874,963	(762,148)
London Ireland Market Exchange Limited	974,747	10,838
The Underwriting Exchange (Ireland) Limited	4,567,075	3,694,054
Specialist Risk Insurance Solutions Limited	6,875,706	2,137,201
David Codling & Associates Limited	300,940	(177,890)
Freeworth Limited	1	-
AUA Insolvency Risk Services Limited	1,352,826	(840,576)
KBIS Holdings Limited	10,352	-
KBIS Limited	1,194,406	(824,848)
London Market Broking Limited	2	-
The Channel Partnership (Holdings) Limited	832,169	-
Lupton Del Principe Associates Limited	567,145	(342,862)
GBUL Services Limited	385,990	-
GB Underwriting Limited	850,166	(263,052)
Emrose (Insurance Brokers) Limited	293,551	(62,513)
Blackrock Insurance Solutions Limited	937,322	53,538
MX Underwriting Limited	7,303,849	100,935
MX Underwriting Malta Limited	2,918,768	448,344
Specialist Risk International Limited	340,796	215,796

SPECIALIST RISK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

16 Fixed asset investment (continued)

Business combinations

On 12 January 2021 Specialist Risk Group Limited acquired control of GB Underwriting Services Limited (GB Underwriting), through the purchase of 100% of the share capital for a maximum total consideration of £6,440,191, which includes both deferred and contingent considerations.

On 8 February 2021 Miles Smith Insurance Solutions Limited acquired control of The Channel Partnership (TCP Group), through the purchase of 100% of the share capital for a maximum total consideration of £2,583,508, which includes both deferred and contingent considerations.

On 11 May 2021 The Underwriting Exchange (Ireland) Limited acquired control of Blackrock Insurance Services Limited (Blackrock), through the purchase of 100% of the share capital for a maximum total consideration of £5,619,376, which includes both deferred and contingent considerations.

On 23 June 2021 Miles Smith Insurance Solutions Limited acquired control of Emrose Insurance Brokers Limited, through the purchase of 100% of the share capital for a maximum total consideration of £2,291,484, which includes both deferred and contingent considerations.

On 4 November 2021 Specialist Risk Group Limited acquired control of CLS Risk Solutions Limited, subsequently renamed MX Underwriting Limited, and CLS Risk Solutions Limited (Malta), subsequently renamed MX Underwriting Limited (Malta), (MX Group), through the purchase of 100% of the share capital for a maximum total consideration of £41,979,067, which includes both deferred and contingent considerations.

Management have estimated the useful life of the goodwill of these acquisitions to be 10 years. The acquired businesses are well established and have long track records of stable revenue.

The following table summarises the consideration paid by the Group, and the book value of assets acquired and liabilities assumed at the acquisition dates.

SPECIALIST RISK INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

16 Fixed asset investment (continued)

Business combinations (continued)

	GB Underwriting Book / Fair value	TCP Group Book / Fair value	Blackrock Book / Fair value	Emrose Book / Fair value	MX Group Book / Fair value	Total Book / Fair value
Property, plant and equipment Intangible assets	£ 83,839	£ 23,516	£ 5,385	£ 1	£ -	£ 112,741
	83,839	23,516	5,385	1	-	112,741
Debtors	724,484	521,843	818,398	249,160	7,901,658	10,215,543
Cash at bank and in hand	1,474,485	757,133	1,440,289	312,695	8,438,906	12,423,508
Total assets	2,282,808	1,302,492	2,264,072	561,856	16,340,564	22,751,792
Creditors Provisions	(1,155,704)	(666,142)	(1,380,287)	(205,793)	(10,671,492)	(14,079,418)
Total identifiable net assets	1,127,104	636,350	883,785	356,063	5,669,072	8,672,374
Goodwill	5,313,087	1,947,158	4,835,403	1,935,421	30,379,759	44,410,828
Total purchase consideration	6,440,191	2,583,508	5,719,188	2,291,484	36,048,831	53,083,202
Consideration	£	£	£	£	£	£
Cash	4,181,324	1,811,721	1,555,036	966,643	29,986,795	38,501,519
Equity instruments	1,000,000	-	-	-	-	1,000,000
Deferred consideration	1,000,000	528,772	3,904,656	1,000,000	5,091,840	11,525,268
Directly attributable costs	258,867	243,015	259,496	324,841	970,196	2,056,415
Deferred attributable costs	-	-	-	-	-	-
Total purchase consideration	6,440,191	2,583,508	5,719,188	2,291,484	36,048,831	53,083,202
Cash outflow on acquisition						
Purchase consideration settled in cash, as above	£	£	£	£	£	£
Directly attributable costs	4,181,324	1,811,721	1,555,036	966,643	29,986,795	38,501,519
	258,867	243,015	259,496	324,841	970,196	2,056,415
Less: Cash and cash equivalents acquired	(1,474,485)	(757,133)	(1,440,289)	(312,695)	(8,438,906)	(12,423,508)
Net cash outflow on acquisition	2,965,706	1,297,603	374,243	978,789	22,518,085	28,134,426

SPECIALIST RISK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

17 Debtors	Group	Group	Company	Company
	2021	2020	2021	2020
Amounts falling due within one year:	£	£	£	£
Trade debtors	79,619,315	65,901,924	-	-
Amounts owed by Group undertakings	-	-	19,283,230	18,361,171
Deferred tax (note 22)	38,806	-	-	-
Current tax	691,075	400,188	-	-
Prepayments and accrued income	6,654,139	5,971,331	74,886	-
Unpaid share capital	-	29,762	-	29,762
Other debtors	9,944,196	1,248,893	203,426	84,387
	<u>96,947,531</u>	<u>73,552,098</u>	<u>19,561,542</u>	<u>18,475,320</u>
	<u><u>96,947,531</u></u>	<u><u>73,552,098</u></u>	<u><u>19,561,542</u></u>	<u><u>18,475,320</u></u>
18 Cash at bank and in hand	Group	Group	Company	Company
	2021	2020	2021	2020
	£	£	£	£
Insurance related	67,799,681	53,525,767	-	-
Own Cash	7,668,725	6,362,679	100,124	44,858
	<u>75,468,406</u>	<u>59,888,446</u>	<u>100,124</u>	<u>44,858</u>
	<u><u>75,468,406</u></u>	<u><u>59,888,446</u></u>	<u><u>100,124</u></u>	<u><u>44,858</u></u>

Insurance related cash balances represents amounts held by the Group arising due to the Group's insurance broking operations which is held in non-statutory trust accounts or insurer trust accounts, which operate with the requirements of the FCA.

SPECIALIST RISK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

19 Creditors: amounts falling due within one year	Group	Group	Company	Company
	2021	2020	2021	2020
	£	£	£	£
Trade creditors	142,397,035	111,417,176	-	-
Amounts owed to Group undertakings	71,829,853	-	11,761,603	9,800,297
Corporation tax payable	1,502,775	432,221	-	-
Other taxation and social security	1,562,668	685,893	-	-
Other creditors	2,509,187	781,921	(42,176)	-
Accruals and deferred income	10,060,043	3,727,220	112,298	-
Deferred consideration	-	300,000	-	-
	<u>229,861,561</u>	<u>117,344,431</u>	<u>11,831,725</u>	<u>9,800,297</u>

20 Creditors: amounts falling due after one year	Group	Group	Company	Company
	2021	2020	2021	2020
	£	£	£	£
Loans	1,041,597	43,429,133	-	-
Deferred consideration	12,458,342	2,000,000	-	-
	<u>13,499,939</u>	<u>45,429,133</u>	<u>-</u>	<u>-</u>

Borrowings are repayable as follows:

Loans	Group	Group	Company	Company
	2021	2020	2021	2020
	£	£	£	£
Between two and five years	1,041,597	43,429,133	-	-
Over five years	-	-	-	-
	<u>1,041,597</u>	<u>43,429,133</u>	<u>-</u>	<u>-</u>

SPECIALIST RISK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

20 Creditors: amounts falling due after one year (continued)

On 26 February 2021, as part of the acquisition of the Specialist Risk Group by HGGC, the group's parent entities entered into a loan facility with Ares management comprising £275m of committed funds. Interest is payable on committed and drawn funds at a variable rate of up to 11% plus LIBOR. Note 29, contingent liabilities, sets out how these loans are secured.

As at 31 December 2021, a total of £181 million (excl. fees) was borrowed, of which £72 million was paid to the Group via intercompany loans (note 19).

Of the £72 million owed to the Group's parent entities, £44,708,675 was used to repay the Group's existing loan facility. A further £1,063,662 was written off in respect of the accelerated amortisation of loan fees.

The directors have received confirmation from the companies that hold the intercompany loans, that they will not be called for repayment within 12 months.

SPECIALIST RISK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

21 Provisions for liabilities

	2021	2020
Group	£	£
At the beginning of the period	385,600	340,040
Addition	82,212	93,600
Reclassification	-	(48,040)
Charged to the profit and loss account	(93,600)	-
	<u>374,212</u>	<u>385,600</u>

22 Deferred taxation

	2021	2020
Group	£	£
At the beginning of period	323,889	102,858
Acquired during the period	(152,287)	-
Adjustment in respect of prior periods	55,568	163,561
Charged to the profit or loss	(265,976)	57,470
Deferred tax (asset)/liability	<u>(38,806)</u>	<u>323,889</u>

	Group 2021 £	Group 2020 £
Fixed asset timing differences	18,941	437,906
Other timing differences	(57,747)	(114,017)
	<u>(38,806)</u>	<u>323,889</u>

In addition, to the deferred tax liability set about above, there are unrecognised deferred tax assets in subsidiary undertakings, of £5,008 (2020 £nil) arising from trading losses carried forward.

SPECIALIST RISK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

23 Financial instruments

	Group 2021 £	Group 2020 £
Financial assets		
Financial assets measured at fair value through profit or loss	75,468,406	59,888,446
Financial assets that are debt instruments measured at amortised cost	89,563,511	67,580,767
	<u>165,031,917</u>	<u>127,469,213</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(230,236,014)	(114,884,697)
Financial liabilities measured at fair value through profit or loss	(10,935)	(335,360)
	<u>(230,246,949)</u>	<u>(115,220,057)</u>
	Company 2021 £	Company 2020 £
Financial assets		
Financial assets measured at fair value through profit or loss	100,124	44,858
Financial assets that are debt instruments measured at amortised cost	19,486,656	18,475,320
	<u>19,586,780</u>	<u>18,520,178</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(11,719,427)</u>	<u>(9,800,297)</u>

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

Financial assets measured at amortised cost comprise; trade debtors amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed by group undertakings, other loans, and other creditors.

Financial liabilities measured at fair value through profit or loss comprise the foreign exchange forward contract (financial instruments).

SPECIALIST RISK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

23 Financial instruments (continued)

Derivative financial instruments

	2021 £	2020 £
At the beginning of the period	335,360	57,946
Addition	10,935	335,360
Utilisation of instrument	(335,360)	(57,946)
	10,935	335,360

Forward contracts

The Group entered into forward foreign currency contracts via its subsidiary, The Underwriting Exchange Limited, to mitigate exchange rate risk. At 31 December 2021, the company committed to sell €8,450,000 (2020: €8,450,000).

The forward contracts have margin calls attached to them depending on adverse movements to the exchange rate. The margin call is paid to the counterparty to be held in trust as collateral, and is subsequently returned once foreign exchange rates normalise. The current amount paid to the counterparty is £nil (2020: £296,126) and is included in Other debtors.

Analysis of net debt

	As at 31 December 2020	Cash flows	Cash acquired from acquisition	Non cash changes	As at 31 December 2021
Cash and cash equivalents					
Cash	59,888,446	15,579,960	-	-	75,468,406
Other	-	-	-	-	-
	59,888,446	15,579,960	-	-	75,468,406
Borrowings					
Due within one year	-	-	-	-	-
Due after one year	(43,429,133)	44,454,111	(2,912)	(2,063,663)	(1,041,597)
	(43,429,133)	44,454,111	(2,912)	(2,063,663)	(1,041,597)
Net debt	16,459,313	60,034,071	(2,912)	(2,063,663)	74,426,809

SPECIALIST RISK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

24 Called-up share capital and reserves

Allotted, called up and part-paid	2021	2020
	£	£
66,670 Ordinary A shares of £0.1 each	6,667	6,667
153,865 Ordinary B shares of £0.0001 each	15	15
17,832 Ordinary C shares of £0.0001 each	2	2
35,899 Ordinary D shares of £0.0001 each	3	3
13,542 Ordinary E shares of £0.0001 each	1	1
	6,688	6,688
	6,688	6,688

With regards to rights, A and B shares in issue shall rank *pari passu* in all respects save the A shares shall not confer on the holder of them any right to at any time receive a dividend and dividends may only be declared and paid on the B shares, and the B shares shall not confer on the holders of them any right to receive notices of meetings of the shareholders, any right to attend at any such meetings, or any right to vote.

The C, D and E shares operate as growth shares, their entitlement to a share of the company is dependent on Specialist Risk Investments Limited exceeding hurdles in terms of its valuation. The C, D and E shares do not confer on the holder of them any right to at any time receive dividends, any right to receive notices of meetings of shareholders, any right to attend any such meetings, or any right to vote. Entitlement to equity is only granted if the company's valuation exceeds the relevant hurdle.

25 Reserves

Reserves of the Company represent the following:

Share premium account

Consideration received for shares issued above their nominal value net of transaction costs.

Profit and loss account

Cumulative profit and loss net of distributions to owners.

Other reserves

The cumulative share-based payment expense.

Share option reserve

Includes the fair value of the share options granted to employees.

Share based payment reserve

Includes the fair value of shares awarded to employees.

Aggregation reserve

Includes the reserves of the Employee Benefit Trust.

SPECIALIST RISK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

26 Reserves (continued)

Treasury Reserve

The treasury reserve consists of shares repurchased by the Group's Employee Benefit Trust.

Merger Relief Reserve

Includes the difference between the consideration and nominal value of shares issued during a merger and the fair value of the assets transferred.

27 Other reserves

	Treasury Reserve	Share option reserve	Share based payment reserve	Aggregation reserve	Merger Relief Reserve	Total
As at 31 December 2020	(59,814)	94,851	(5,078)	43,358	31,443,153	31,516,470
Movement in the EBT	-	-	-	301,423	-	301,423
Other movements	59,814	48,738	(16,585)	-	-	91,967
As at 31 December 2021	-	143,589	(21,663)	344,781	31,443,153	31,909,860

28 Share based payments

Equity settled share based payments

The group has a share option scheme for all employees (including directors), with the options issued on B shares. Options are exercisable at a price determined at issue based on the share price calculated in accordance with the group's profitability. The vesting period has been assessed as 5 years. There are no specific performance criteria attached to the exercise of options other than continued employment. The options are settled in equity once exercised.

The options have no expiry date. Options are forfeited if the employee leaves the company subject to leaving as a good, bad or intermediate leaver.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

	Weighted average exercise price 2021		Weighted average exercise price 2020	
	Pence	Number	Pence	Number
Outstanding at beginning of the period	100	1,288	100	1,288
Granted during the period	-	-	-	-
Forfeited during the period	102	(874)	-	-
Exercised during the period	95	(414)	-	-
Outstanding at the end of the period	-	-	100	1,288

SPECIALIST RISK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

28 Share based payments (continued)

All options were forfeited or exercised during the period (2020: nil) as part of the acquisition of the Group by HGGC in February 2021. There were no share options outstanding at the end of the year.

The weighted average share price based on the asset value at the date of exercise of the options in February 2021 was £95.

The fair values were calculated using the Black Scholes Pricing Model. The inputs into the model are as follows:

- current share price based on price achieved in third party transaction dated 28 February 2018.
- effective interest rate of 0.75%,
- volatility estimated at 11.62%,
- expected rolling maturity of 5 years.

29 Contingent liabilities

The Company, along with other subsidiaries, has entered into a Debenture and related security accession documents to secure loans and overdraft facilities to another Group company, Saturn UK Bidco Limited, by granting charges over its assets. Further details of these loans are set out in Note 20.

30 Capital commitments

There were no capital commitments as at 31 December 2021.

31 Pension commitments

The group operates a defined contribution scheme for the benefit of the employees and directors. Contributions are paid into a group personal pension plan which is administered by trustees in funds independent from those of the group. £191,557 commitment is included within Other creditors within the balance sheet.

32 Commitments under operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

Group	2021	2020
Amounts due:	£	£
Within one year	897,871	736,122
Between one and five years	652,353	1,897,854
Greater than five years	-	-
	1,550,224	2,633,976
	1,550,224	2,633,976

SPECIALIST RISK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

33 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard 102 "Related Party Disclosures" and has not disclosed transactions with wholly owned group undertakings.

At the year end, £4,076 was owed by Barclay Willis Limited, a related party by virtue of common control. During the year £(nil) was repaid by Barclay Willis Limited.

As at 31 December 2021 and as at the date of signing the following amounts were owed by Directors:

S O'Connor (resigned 31 August 2020) - £23,606 (2020; £23,606)

A Butler (resigned 31 August 2020) - £480 (2020; £480)

At the year end, £147,404 was owed by Onyx Insurance Brokers Limited by virtue of investment in associate. During the year, £nil was repaid by Onyx Insurance Brokers Limited.

34 Key management remuneration

The only key management are considered to be directors disclosed in Note 10.

35 Post balance sheet events

The Group purchased The Special Risk book of business from Bridge Insurance in January 2022; and 100% of the share capital of Hamilton Leigh Limited, which completed on 6 September 2022. There have been no other significant events affecting the Group since the year end.

36 Controlling party

The ultimate controllers of this company at the date of signing the financial statements is HGGC IV, L.P. a fund which is managed by HGGC, a company incorporated in United States of America. The address of HGGC is 1950 University Avenue, Palo Alto, California, 94303. The Director's consider Saturn UK Bidco Limited, whose registered office is 1 America Square, 17 Crosswall, London, United Kingdom, EC3N 2LB, to be the Company's immediate parent undertaking.

The parent company of the largest Group to include the Company within its consolidated financial statements is Saturn Jersey Topco Limited, and the parent company of the smallest Group is itself. Copies of these financial statements are available on the Companies House website.

SPECIALIST RISK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

37 Subsidiary guarantee

As a parent company, established under the law of the UK (an EEA state) for the financial year ended 31 December 2021, the Group took advantage of the exemption from audit under section 479A of the Companies Act 2006 for the following subsidiary undertakings:

Company name	Company registration number
Specialist Risk Midco Limited	12082621
Specialist Risk Group Limited	12083334
Miles Smith Holdings Limited	07533292
Miles Smith Insurance Solutions Limited	07146895
Miles Smith PPP Limited	02987030
Core Underwriting Limited	07578945
Miles Smith International Limited	08179377
Philip Adams Limited	08163996
First4 Insurance Services Limited	06447123
Miles Smith Investments Limited	07146827
Freeworth Limited	04142175
London Ireland Market Exchange Limited	08621272
David Codling and Associates Limited	04816547
The Channel Partnership (Holdings) Limited	10711847
Lupton Del Principe Associates Limited	03151266
GBUL Services Limited	07776578
GB Underwriting Limited	04692971
Emrose (Insurance Brokers) Limited	00761961
Specialist Risk International Limited	13200856